

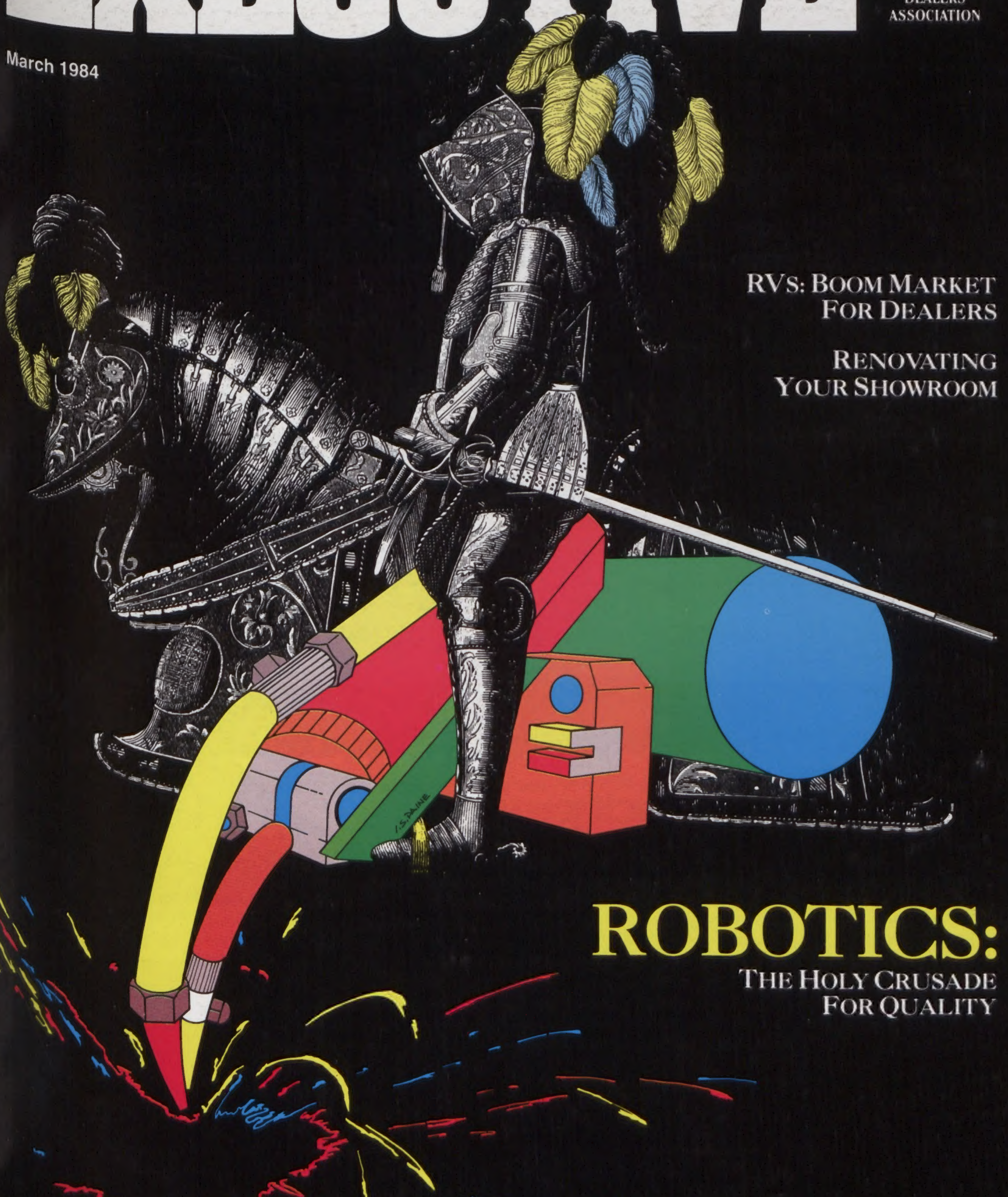
AUTOMOTIVE EXECUTIVE

OFFICIAL
PUBLICATION
OF THE NATIONAL
AUTOMOBILE
DEALERS
ASSOCIATION

March 1984

RVS: BOOM MARKET
FOR DEALERS

RENOVATING
YOUR SHOWROOM



ROBOTICS:
THE HOLY CRUSADE
FOR QUALITY

A U T O M O B I L E



Our policy is simplicity.

There are two kinds of insurance coverage for the business you're in.

One is the kind you have: most likely a patchwork of two, three or even more policies designed for businesses in general. You're paying for coverage you don't need. And you can't add coverage you want without attaching even more policies.

The other kind of coverage is ours. A specialized business insurance concept started in 1922. Our single policy offers all the coverage you need now with the built-in flexibility to add coverage without adding policies. You pay for the coverage you need now and no more until you need more.

(For more information circle #24)

Our policy works. Because our policy is designed specifically for the automobile dealership.

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One of the best salesmen on your sales floor isn't on the floor. It's in the car.

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Tilt-Wheel sells cars. Lots of them. Today, seven of every ten new GM cars are sold with Tilt-Wheel. And more Tilt-Wheels than ever are being ordered on smaller GM cars. It gives you a selling advantage that most imports and many other small cars don't even offer.

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Tilt-Wheel offers buyers a lot for the money. It's one of today's great bargains at just \$110 MSRP, while returning up to \$100 at resale, based on current used car guides.

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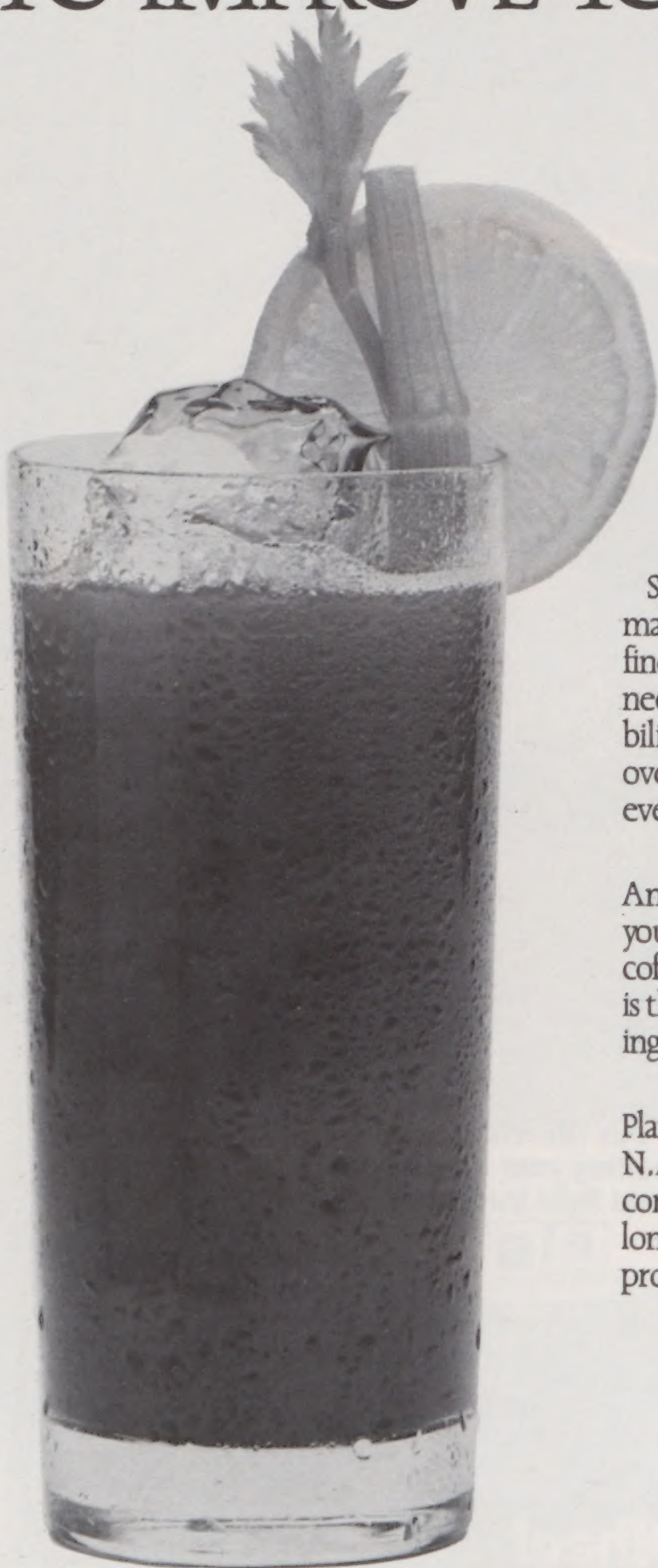


Tilt-Wheel

It does so much...
yet costs so little.



CLARION HAS A REFRESHING WAY TO IMPROVE YOUR PROFITS.



Stop by the Clarion booth at this year's N.A.D.A. Convention to learn how the wide range of Clarion Spec II stereos can increase your profit margin. Clarion gives your customers the finest sound available, customized to their needs, and gives you greater pricing flexibility for greater profits. Choose from over 100 custom-tailored units, made to fit every auto line, even imports.

And when you stop at the display, refresh yourself with a complimentary soft drink, coffee or Virgin Mary. The Clarion booth is the place on the convention floor offering a place to relax. (Booth #300)

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Revolution

Far too many words have been written about the *rebirth* of this industry; far too few about the *revolution* that brought it about. This revolution is a profound occurrence, involving government, manufacturers, consumers and dealers. And it has changed forever "the old way" of doing business.

In this issue, we detail the impact of the \$80-billion investment that manufacturers are making in new domestic car plants. That's more money than it took to put man on the moon.

Manufacturers have reorganized operations, introducing new plant practices such as in-line production and just-in-time inventory. Importers have built huge new plants in the U.S. Domestic companies have rebuilt old ones. New cars and trucks are now sourced worldwide, and quality domestic and import product is available for markets as small as 10,000 units a year. Domestic and import manufacturers are cooperating in joint ventures and marketing partnerships that cause older industry hands to shake their heads in disbelief.

Government, too, has aided this revolution. They've backed away from years of overregulation and restrictions. Proposed federal regulations now must face cost/benefit analyses before they get serious consideration. One could almost call government a partner in this rise, because it seems to have greater interest in tax and revenue producers than in tax and revenue consumers.

Consumers—the people visiting dealer showrooms—also have changed. There are more women buyers today. Statistics show more single households, and that has had a dramatic impact on available product and marketing

approaches. Future consumer change will be even more dramatic. Analysts note that the baby-boom generation will reach middle-age in the next decade. They will control almost 50 percent of available spendable U.S. income. Future designs must address that market, and dealers should prepare today to meet that future market.

Dealers should also realize this "brave new world" will be considerably different from the old car business.

Larger dealer investment in facilities, equipment and employee training will be required, both by the market and by consumers. Consumers, themselves, have put good customer service at the top of their current and future list of requirements. Manufacturers will also insist on it, to ensure that their product remains competitive.

There are some clouds on the horizon. Consumer legislation will continue to grow. The current spate of state "lemon laws" is perhaps the best current example of what the industry may face in the years ahead. Future state and local revenue needs could create new local tax problems for dealers. Cash flow and capital investment will require more careful management. Money management and employee training could well be the keystones of future dealer success.

Whatever the future holds for dealers, the professionalism which was acquired at great cost over these past four years will be essential to future success. The key is not to discard those careful management practices in these good times. Take advantage of all education and management tools, too. It may just make the difference between being in business or out of business in the years ahead. □

Helping GM Dealers grow is what GMAC is all about.

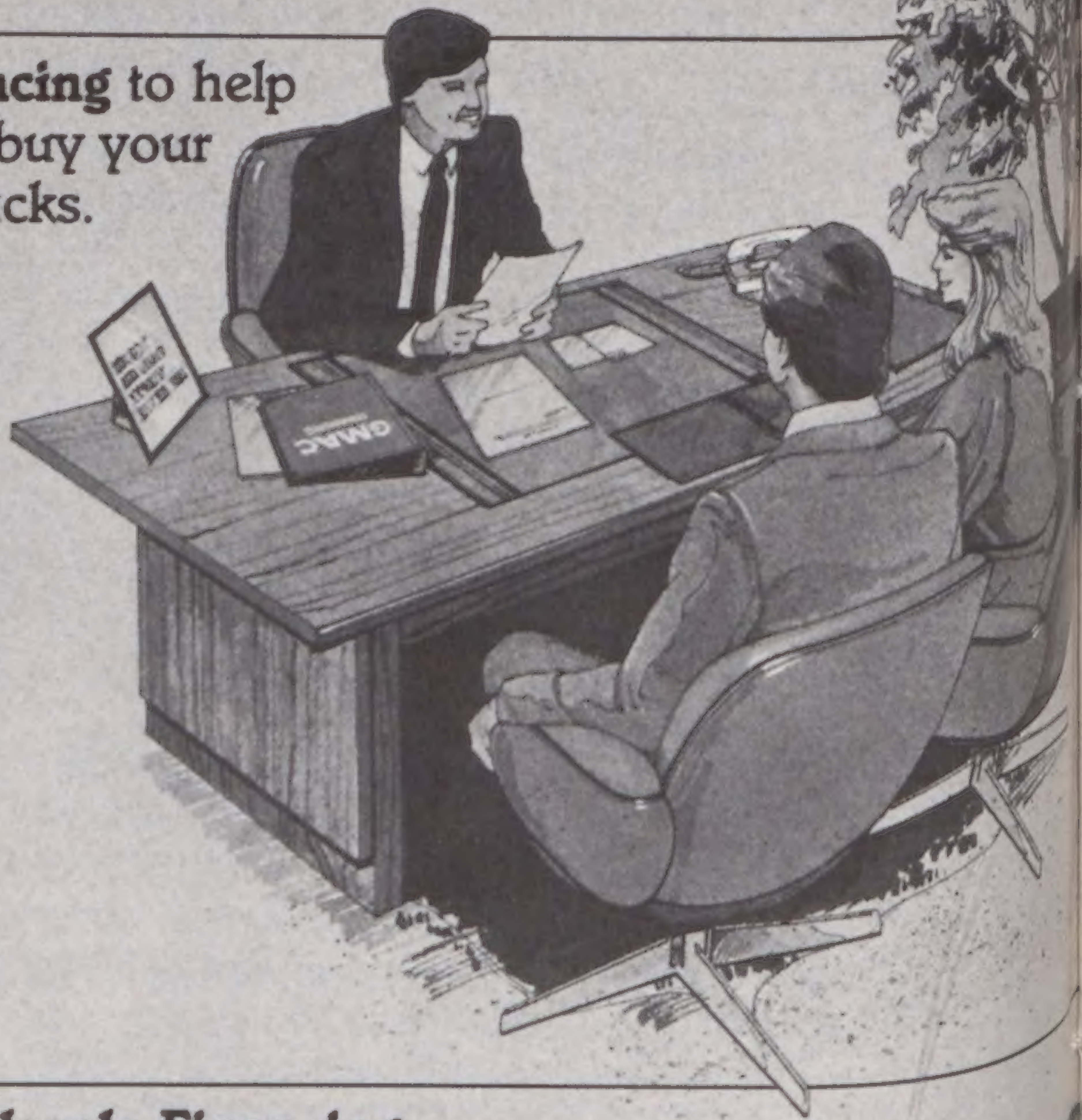
GMAC has a long history of offering innovative financial programs to help GM Dealers grow and prosper. As a matter of fact, over the last 65 years, we've helped GM Dealers just like you sell more than 95 million vehicles.

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Rental plans for cars and trucks.



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Cover design by Larry Paine and Associates, Bethesda, MD

AUTOMOTIVE EXECUTIVE
March 1984
Volume 56, No. 3

Automotive Executive (ISSN 0195-1546) is published monthly by the NADA Services Corp., a wholly owned subsidiary of NADA. A subscription (worth \$12) is included as one of NADA's membership benefits. Subscription rates delivered prepaid in the U.S. and U.S. possessions \$12 per year, \$15 elsewhere. Single copies delivered prepaid \$2. Second-class postage paid at McLean, VA, and additional mailing offices. Copyright 1984 by the NADA Services Corp. The statements and opinions expressed herein are those of the individual authors and do not necessarily represent the view of Automotive Executive, the NADA Services Corp. or the National Automobile Dealers Association. Likewise, the appearance of advertisements does not constitute an endorsement of the products or services featured. All communication should be addressed to Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593. Postmaster: Send address changes to Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.

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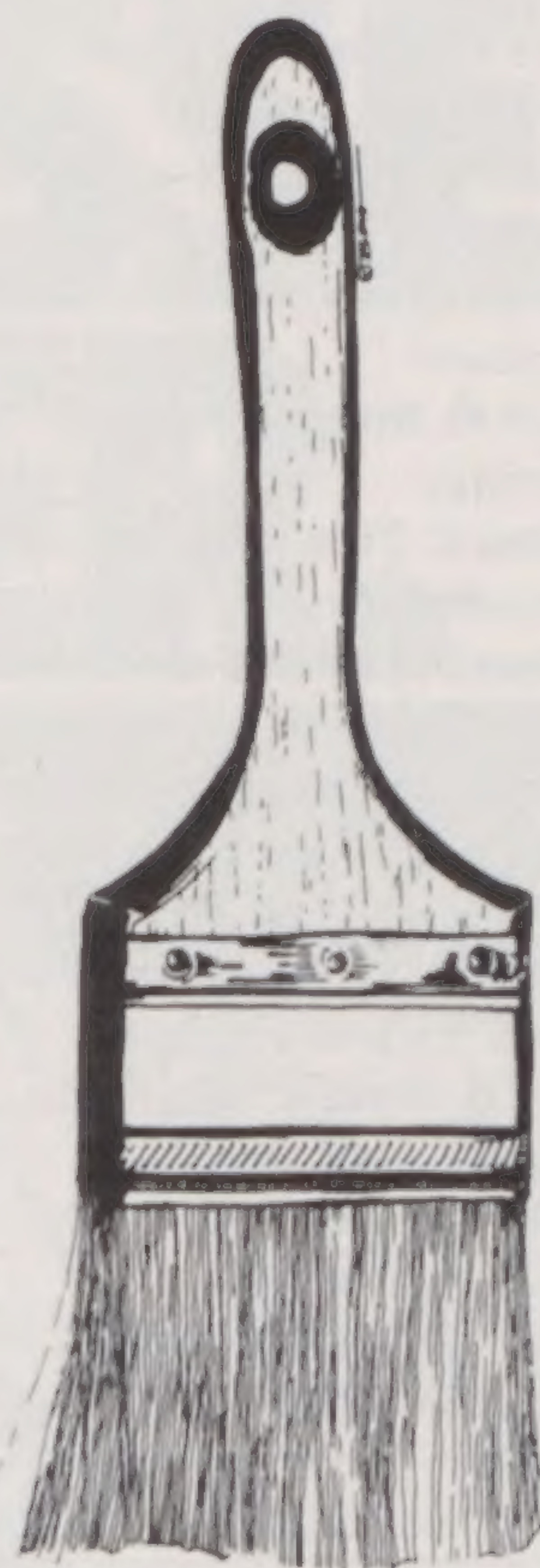
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Contributing Features Writer, Ted Orme
Assistant Editor, Joan Rubin
Production Manager, Donald E. Wheeler
Graphics Coordinator, Sharon Milburn
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Editorial Assistant, Carole Snyder

ADVERTISING OFFICES

**National Advertising Manager,
Eastern/Midwestern Sales**
Judy Solomon
Automotive Executive
8400 Westpark Drive
McLean, VA 22102-3593
(703) 821-7160

Southwest Sales Representative
Ken Geelhood
The Geelhood Co.
1199 NASA Road One, Suite 201
Houston, TX 77058
(713) 488-8417

Western Sales Representatives
Stuart Kessel
Paul Conser
Western Media Representatives
15720 Ventura Blvd., Suite 610
Encino, CA 91436
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Discount Coupon Booklet

Allan Hadley Pontiac-AMC-Jeep in Salem, OR, includes a coupon booklet in the warranty packet of each new vehicle sold. When the salespersons deliver cars and explain the warranty and maintenance schedules, they also point out the booklet of coupons for discounts on oil changes, body work, safety inspections and rental cars. It has been a huge success. It encourages the customer to return to the service department for routine maintenance and to bring in the other family cars for body shop repair and safety inspections. On the front cover a brief note from the dealer and service manager identifies them by name, giving the booklet a personal touch and demonstrating to the customer the dealership's continuing interest in service after the sale. ■

Moving Parts by Phone

When a dealer realizes there are too many dollars tied up in parts inventory in relation to sales, it is best to convert the excess parts inventory into cash. To accomplish this, Mark Dubowy of Metcalf Datsun Inc. in Overland Park, KS, initiated the following program in his dealership with a little help from his local telephone company: After preparing a list of parts to be moved and pricing them competitively, a list was made of prospective buyers within a 300-mile radius of the store. Special incentives were created for the salespeople. Dubowy then arranged for the telephone company to come to the dealership and give a training seminar to salespeople on how to sell effectively over the phone. The excess parts were successfully moved, motivation of the sales personnel improved, and the telephone sales techniques learned helped the sales staff be more effective in new and used-car sales. ■

"Mall Bucks" Promotion

Fiore Pontiac of Altoona, PA, participated with its Mall Association Merchants in a promotion called "Mall Bucks." Over a period of six weeks, any

purchase made in the mall was matched with "Mall Bucks" given to the customer by the merchant. With the accumulated "bucks" the customer could bid at an auction on prizes provided by the merchants. The grand prize was the use of a Pontiac 2000 Sunbird that was on display in the mall during the promotion. At a pre-determined time and date, the mall held an auction in the area where the Pontiac and other prizes were displayed. During the promotion, the merchants spent over \$15,000 in advertising on radio, TV and newspaper, mentioning the dealership, "Fiore Pontiac," as co-sponsor. In addition to displaying the Pontiac during the six-week promotion, the agreement with the Mall Merchants included displaying a vehicle for a four-month period with the privilege of changing models at the dealership's discretion. The savings in rental space in the mall more than covered the cost of the use of the vehicle for a year (including interest and depreciation). The winner furnished his own insurance coverage and agreed to bring the car into the dealership's shop for monthly inspections. ■

Consideration Is the Key

20 Group dealer Dave Zinn, of Dave Zinn Toyota Inc. in Miami, encourages his employees to be considerate of fellow workers (and the dealership) by displaying the following notice:

If you open it, close it.

If you turn it on, turn it off.

If you unlock it, lock it.

If you break it, repair it.

If you can't fix it, call in someone who can.

If you borrow it, return it.

If you use it, take care of it.

If you make a mess, clean it up.

If you move it, put it back.

If it belongs to somebody else and you want to use it, get permission.

If you don't know how to operate it, leave it alone.

If it doesn't concern you, don't mess with it.

If it isn't broken, don't fix it. □

REMANUFACTURED BMW PARTS EVEN MAKE BUSINESSES MOVE FASTER.



BMW's are widely known for their quickness on the open road. But they can also move quickly through your repair shop—when you use remanufactured BMW parts.

Because instead of going through the time-consuming and costly process of rebuilding BMW components yourself, you can simply replace them with ones that have been restored to their original standards—by BMW.

But remanufactured BMW parts don't just save you time and labor.

They also allow you to take on difficult jobs that would ordinarily require expensive rebuilding equipment. And they eliminate the need for assistance from outside machine shops.

They eliminate inconvenience, too—because all remanufactured BMW parts are available from your local BMW dealer.

And perhaps most importantly, they even help eliminate anxiety—thanks to a 12-month/12,000-mile limited warranty against defects in materials and workmanship.*

All told, remanufactured BMW parts are engineered not only to maintain BMW's, but to improve the performance and efficiency of your shop as well.

And, of course, to accelerate your profits.

GENUINE BMW PARTS



*See your BMW dealer for details. © 1984 BMW of North America, Inc. The BMW trademark and logo are registered.

Executive Notes

NADA supports safety belt use. For several years, NADA has supported the use of seat belts as a safety and public policy issue. As a gesture of its commitment, NADA's Board of Directors recently voted to support federal incentives to the states to enact mandatory belt use laws.

This concern extends to NADA employees as well. Last spring, NADA implemented its voluntary "We need you...buckle up" program at NADA headquarters, which has proved very successful. And a new official NADA policy *requires* safety belt use when employees are traveling on NADA business. ■

Baby boom car buyers. According to the Automotive Information Council, there are 73 million men and women in the 17- to 37-year-old age group, the so-called baby boomers, which represent about one-third of the U.S. population. William Heugh, manager of marketing operations for Pontiac Division, says, "By 1990 they will account for 42 percent of the population and will control 55 percent of the disposable income and will buy half of the new cars purchased." Auto marketing specialists for both the aftermarket and original equipment manufacturers are gearing marketing strategies to attract these buyers and create product loyalty. ■

Virginia county agrees to GM diesel tax rebates. In an apparently unprecedented move, Fairfax County, VA, has decided to grant personal property tax rebates to owners of 1978-80 General Motors diesel cars and trucks.

This action comes in response to complaints from owners who said the vehicles are defective and have depreciated faster than similar vehicles equipped with gasoline engines. Because of this variance, they said, their cars and trucks were being overtaxed. The rebate applies to diesel Oldsmobiles, Chevrolets, Pontiacs, Buicks and Cadillacs. ■

New Highway Users Federation chairman. Robert E. Mercer, chairman and chief executive officer of The Goodyear Tire and Rubber Co., has been elected chairman of the Highway Users Federation to complete the unexpired term of Stanley W. Gustafson, who died of a heart attack on December 26, 1983.

Mercer's term runs until November 8, 1984. He previously served as Federation chairman in 1978. ■

Name change for Toyo Kogyo. Toyo Kogyo Co. Ltd., the manufacturer of Mazda cars and trucks, will become Mazda Motor Corp., effective May 1, 1984. This name change is aimed at aligning the company's name with the name of its major product, which is known throughout the world. ■

Toyota executive named ASE head. Robert Schrandt, corporate service manager of Toyota Motor Sales USA Inc., has been named chairman of the National Institute for Automotive Service Excellence (ASE). He is the first representative of an import manufacturer to be named to this position. Schrandt has served on the ASE board since 1981 and held the offices of secretary and treasurer prior to being named chairman. ■



The production line at Honda's Marysville plant.

Honda's Marysville plant gets \$240-million expansion. Honda of America is investing an additional \$240 million to double the auto production of its two-year-old, \$250-million Marysville, OH, plant. The 700,000-square-foot expansion will allow Honda to increase its domestic output to 300,000 cars per year by 1988 and increase total plant employment to 2,500.

In 1984, the plant will produce 70,000 motorcycles and 130,000 cars. Last year, Honda produced 40,783 motorcycles and 55,337 cars. ■

AMC-Chinese joint venture goes operational. Coinciding with the visit of Chinese Premier Zhao Ziyang to the U.S., Beijing Jeep Corp. Ltd. (BJC), a \$51-million joint venture between American Motors Corp. and Beijing Automotive Works (BAW), began operation January 15, 1984, as the first automotive joint venture established in China.

Representing AMC at a ceremony hosted by the Chinese foreign trade minister and the mayor of Beijing, Tod Clare, AMC's vice president of international operations, called the occasion "the first step toward changing the balance of the automotive industry in Asia.

"American Motors has embarked on this historic joint venture in order to establish a manufacturing base in the Far East and compete more effectively with the Japanese in that rapidly expanding market," Clare emphasized. (For more information on this joint venture, see "The AMC-China Connection" in the February 1984 edition of *Automotive Executive*.) ■

Award for Automotive Executive. *Automotive Executive* received an Honorable Mention in the 1983-84 *Association Trends* Publication Contest in the trade association magazines category. (*Association Trends* is a national weekly newspaper for association executives.)

The award certificate says, "In recognition of outstanding achievement, *Association Trends* hereby salutes the National Automobile Dealers Association, Frank E. McCarthy, executive vice president, for the quality and creativity evident in the preparation and production of *Automotive Executive*, and we commend this excellent publication to the attention and admiration of the entire association community." □

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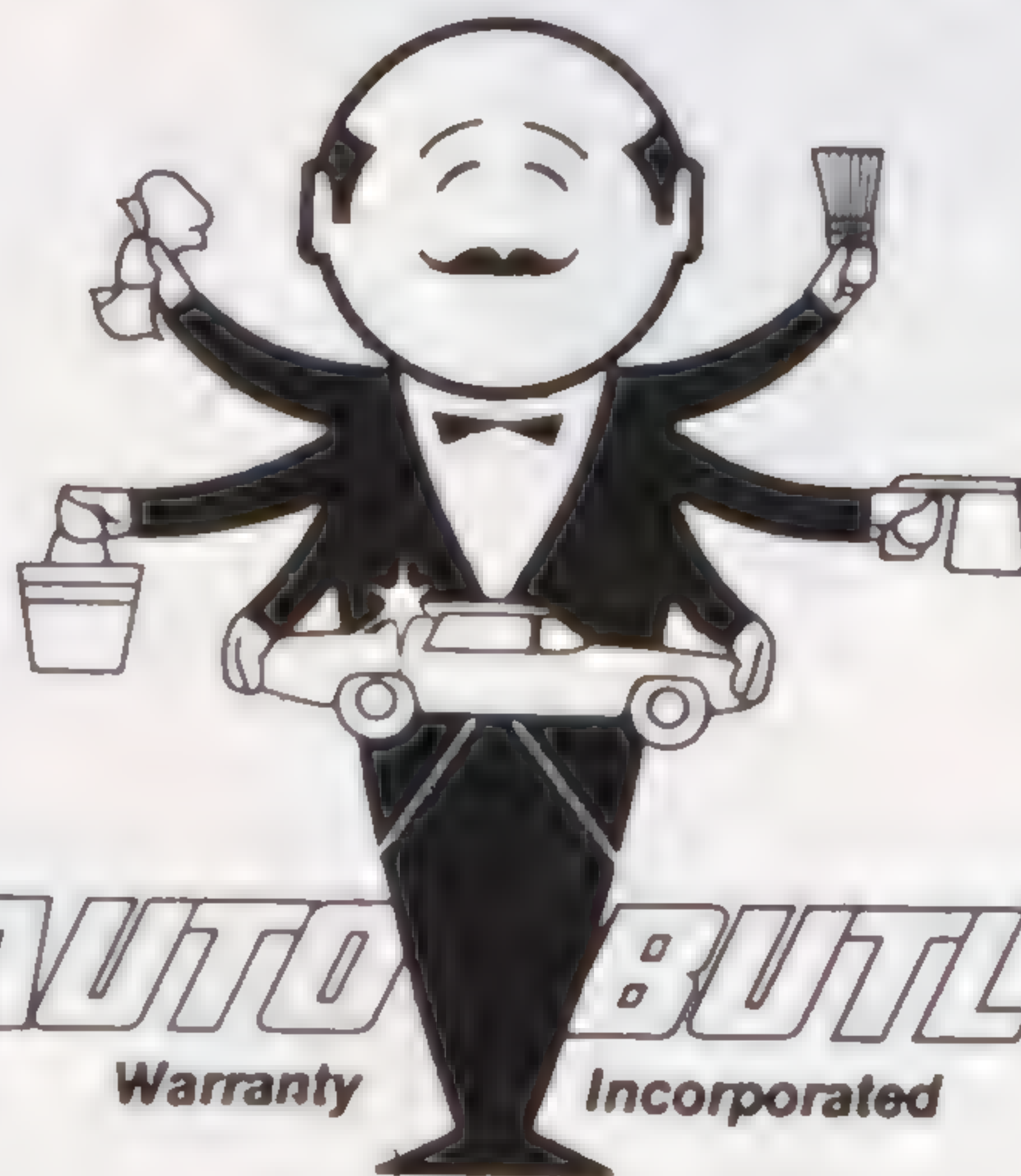
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(For more information circle # 4)

William F. Morie New ATAM President

William F. Morie, executive vice president of the Georgia Automobile Dealers Association (GADA) was named 1984 ATAM president at the NADA Convention in Dallas.

Morie has been associated with the automobile business for many years. He has served as executive vice president of GADA since December 1970. Prior to that time, he spent three years as director of field services for the Missouri Automobile Dealers Association.

Active in civic and community activities, Morie is past president of the Georgia Society of Association Executives and is beginning his fourth year as chairman of the Georgia Highway Users Federation. He helped originate and has served on a committee for the past 11 years that assists the Georgia State YMCA in conducting Youth Legislative Sessions, and is a member of the Center for Professional Education Advisory Committee at Georgia State University. Morie is also past chairman of the Association Division of the Georgia Heart Association, is active in the Georgia Business Council and serves as a member of the Governmental Affairs Committee of the Georgia Business Council.

Morie says one of his goals as ATAM president is to implement many of the recommendations that came out of the ATAM Planning Committee. ■

"Dealer's Day in the Legislature" Program

The Missouri Automobile Dealers Association (MADA) has developed a unique program to allow its members an opportunity to visit with state lawmakers. Through MADA's "Dealer's Day in the Legislature" program, dealers spend a day with MADA's lobbyist Gene Worn at the state capitol in Jefferson City, meeting with their state senators and representatives and seeing how MADA conducts its lobbying efforts. ■



William F. Morie

SCA&TDA Recognized for "Not Sober—Pull Over" Campaign

The South Carolina Governor's Committee on Highway Safety has awarded the South Carolina Automobile & Truck Dealers Association (SCA&TDA) a plaque of appreciation for the "Not Sober—Pull Over" anti-drunk driving campaign it sponsored across the state. The program consisted of billboards and radio spots encouraging drivers to stay off the road when drinking. The award "appreciates SCA&TDA in recognition of outstanding service in highway safety," and was presented during the committee's statewide safety conference held in Charleston, SC. ■

PATA Used-Oil Program

The Pittsburgh Automobile Trade Association (PATA) has launched a used-oil collection program. Plastic containers for waste oil have been distributed to the public; filled containers can be turned in to PATA members. This program helps to recycle waste and provides exposure for member dealers. ■

ADAND Woman Dealer Named to *Who's Who*

The Automobile Dealers Association of

North Dakota (ADAND) reports that one of its members, Edna Becker, president, treasurer and manager of West River Motors Inc., Hettinger, ND, has been listed in *Who's Who of American Women*. The only franchised woman automobile dealer in the state, Becker has been actively involved in many civic and community activities. ■

WADA Wins DEAC Award

The Wyoming Automobile Dealers Association (WADA) received a special award at the opening session of the NADA Convention in Dallas for its Dealers Election Action Committee (DEAC) efforts. Wyoming DEAC chairman E.E. "Nick" Nickel accepted the award on behalf of WADA for a combination of percentage of quota raised in 1983 and gain in contributions over 1982. ■

H.R. 1415 Dealer Rally a Success

More than 250 dealers turned out for a rally in late January, sponsored by the New Jersey Automobile Dealers Association (NJADA) and the Ford Dealer Alliance, in support of congressional passage of H.R. 1415, anti-fleet subsidy legislation. Eleven states were represented by either the association president, manager or NADA director.

The principal speaker at the rally was Rep. James J. Florio (D-NJ), who chairs the commerce, transportation and tourism subcommittee of the House Energy and Commerce Committee. Florio spoke about the need to examine marketing practices of industrial giants that may be discriminatory or debilitating to small businesses. □

Calendar

March

6 to 8. Import Automotive Parts Show, Anaheim Convention Center, Anaheim, CA

6 to 13. Nevada Automobile Dealers Association Convention, Maui Surf Hotel, Maui, HI

17 to 21. National Association of Fleet Administrators 27th Annual Conference, Westin Bonaventure Hotel, Los Angeles

21 to 24. National Truck Equipment Association Convention & Supershow II, Convention Center, Baltimore

21 to 25. Denver Auto Show, Curri-gan Hall, Denver

21 to 25. Auto Show '84, Statehouse Convention Center, Little Rock, AR

30 to 31. Nebraska New Car Dealers Association Convention, New Corn-husker Hotel, Lincoln, NE ■

April

6 to 13. Missouri Automobile Dealers Association Convention, Riviera Hotel/

Rancho Las Palmas, Las Vegas/Palm Springs, CA

7 to 10. TRX-84: American Truck Dealers Convention & Exposition, Phoenix Convention Center, Phoenix, AZ

8 to 10. Automobile Dealers Association of North Dakota Convention, Sheraton Riverside Hotel, Minot, ND

11 to 16. Delaware Automobile Dealers Association Convention and Rhode Island Automobile Dealers Association Convention, Rose Hall Beach Hotel, Montego Bay, Jamaica

14 to 17. Iowa Automobile Dealers Association Convention, Marriott Hotel, Des Moines, IA

24 to 28. Motor Car Dealers Association of Southern California Convention, Indian Wells Country Club, Indian Wells, CA ■

May

6 to 10. Illinois New Car & Truck Dealers Association Convention, Con-

temporary Hotel, Lake Buena Vista, FL

10 to 13. South Carolina Automobile & Truck Dealers Association Conven-tion, Hyatt Hotel, Hilton Head, SC

12 to 16. North Carolina Automobile Dealers Association Convention, Con-temporary Hotel, Lake Buena Vista, FL

16 to 20. Mississippi Automobile Dealers Association Convention, Grand Hotel, Paradise Island, Bahamas

24 to 26. Texas Automobile Dealers Association Convention, Loews Anatole, Dallas ■

June

1 to 3. Automotive Service Councils of California Show, Anaheim Conven-tion Center, Anaheim, CA

1 to 7. Arkansas Automobile Dealers Association Convention, Excelsior Hotel/Hyatt Lake Tahoe, Little Rock/Lake Tahoe, NV

3 to 4. Vermont Automotive Trade As-sociation Convention, Stratton Moun-tain Inn, Stratton Mountain, VT □

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CONFESSIONS OF A CAR DEALER

Peter Hallissy of Hallissy World of Cars in Lowell, Massachusetts has been faithful to AutoArmor car protection products for 10 years.

"I have been tempted to change," Peter confessed. "But when you have a program that works it makes no sense. I wanted a good warranty for my customers and good protection for myself. AutoArmor Rust Protection requires just one customer inspection after three years; other companies require yearly inspections and it is a big hassle. Besides that, the AutoArmor warranties are backed by a multi-million dollar insurance

policy. Warranty claims may arise as long as 7 years into the future. But AutoArmor's warranty insurance program provides financial protection for me and my customers.

"ECP, the manufacturer of AutoArmor car care products, has been a leader in this field for almost 15 years. They are not here today and gone tomorrow like so many other companies. The AutoArmor program works.

"Sales with AutoArmor are easier, too. I can sell rustproofing plus Paint and Fabric Protection. With the complete program, I get a larger gross and no claim problems.

"The AutoArmor staff is well trained to give good back-up help with both sales and service. Gary Eidson, AutoArmor's District

Manager, started working with us 10 years ago. Gary has always been conscientious in helping us meet the needs of our customers."

"I know there are other companies in this market. But their prices are higher. The facts are that good management combined with

AutoArmor's well balanced program gives us exceptional after sale penetration and higher gross profits. We know that AutoArmor can be depended on for lower costs and effective in-store merchandising: after all, our concern is the results on our sales floor."

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Use a Charity To Get Money Out of Your Business

I never met an owner who didn't like to take money out of his or her closely held corporation. It is rare to pull off a money-out maneuver with the blessings of the IRS, yet it can be done easily with a so-called "charity bail-out."

Many owners of closely held businesses are rich on paper but have a constant cash-flow problem. An owner (let's call him Joe) would like to make a \$50,000 contribution to a charity. Great idea, but the money is in the corporation. Joe knows a dividend from the corporation, followed by a gift to the charity, is tax suicide, and a corporation's charitable deduction is limited to only 10 percent of taxable income—What to do?

A charity bail-out to the rescue: Joe makes a charitable contribution of his stock, followed by a redemption of the stock by his corporation (Go Inc.). For example, Joe, who is in the 50-percent tax bracket, gives \$50,000 of Go Inc. stock to his church. The contribution on Joe's tax return will reduce his tax bill by \$25,000. After the church gets the stock, with no strings attached, Go Inc. offers the church \$50,000 for the shares. Although not legally obligated to do so, the church accepts the offer. Go Inc. then redeems (buys) the stock from the church.

Let's total up the net results: Joe is in-pocket \$25,000 and his ownership interest in Go Inc. is unchanged. The church has \$50,000 in cash while Go Inc. has \$50,000 of treasury stock. Have your professional advisor read Rev. Rul. 78-197.

Would you like to learn the ins and outs of getting funds out of your business? Send for the special report: *How to Take Money Out of Your Closely Held Corporation*, \$21 to Blackman, Kallick & Co. Ltd., 180 N. LaSalle St., Chicago, IL 60601. ■

Deducting Home Entertainment

Most people think of deductible entertainment expenses in terms of a restaurant or bar tab, a theater ticket or a night

"It is rare to pull off a money-out maneuver with the blessings of the IRS, yet it can be done . . ."

on the town. Delightfully, your deductions also can include entertaining at home. Let's look at the three most significant rules for home entertainment.

Associated with entertainment: If entertainment directly precedes or follows a substantial and bona fide business discussion, it is associated with your business, and its cost is deductible. For example, you and a client spend the day negotiating a contract. That evening, you and your spouse entertain the client at your home. The evening's costs are deductible.

A quiet business meal: When you entertain in an atmosphere conducive to a business discussion, the cost is deductible, even though you don't actually discuss business. A restaurant or bar tab usually would be deductible under this rule, if there are no distracting influences present. The same rule applies to home entertainment if there's a clear business motive rather than a social motive behind the entertainment.

Directly related entertainment: Home entertainment also can qualify under the *directly related entertainment* rule. However, to qualify, activities must include actual business discussions. What's more, you have to show that business was the principal reason for the meeting and that you had more than a general expectation of realizing income as a result of the entertainment at some indefinite future date—simply put, directly related to your trade or business.

Would you like to learn how to deduct expenses? Send for one or both of the twin special reports: *The Complete Guide To Building Your Entertainment Deductions . . . Legally—\$15*; and *The Complete Guide To Building Your Tra-*

vel Deductions . . . Legally—\$15 (both for \$25) to: Blackman, Kallick & Co. Ltd., 180 N. LaSalle St., Chicago, IL 60601. ■

Who Pays the Most Tax?

Every year the media plays up the fact that a 100 or more millionaires didn't pay any income taxes. After countless it-ain't-fair editorials, it all dies down until the next year.

I spend most of my professional time planning my client's affairs so the IRS gets the short end of the tax deal. Yet, in our accounting practice, with few exceptions, the more the client makes, the higher the tax bill.

The Tax Foundation just published some figures based on Treasury Department data that bear out what I continue to see in practice. Here are some of the fascinating details for the just-completed 1981 analysis. The individual income-tax bill totaled \$285.8 billion. Over \$264 billion was paid by the top half of the taxpayers. This amounts to 92.6 percent of the total with the average member of this group coughing up \$5,599.

And get this: Over half of the tax bill was shouldered by those earning in the top 10 percent income. They averaged \$14,519 in taxes.

The item points out that 5,512 fortunate people reported \$1 million or more in income on their 1981 tax returns. These big hitters paid an average of \$193,203 in 1981 taxes. This was an average of 60 percent of their taxable income. Who says the rich don't pay taxes?

You bet our office tries to reduce the tax bill of every client by every legal means available. Yet, I wish to each of you reading this column what I have been telling my clients for years: "May your taxes double every year." □

This column is prepared as an automotive exclusive for *Automotive Executive* by Irving Blackman, a certified public accountant and attorney. All comments or questions pertaining to this column should be mailed to: Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.

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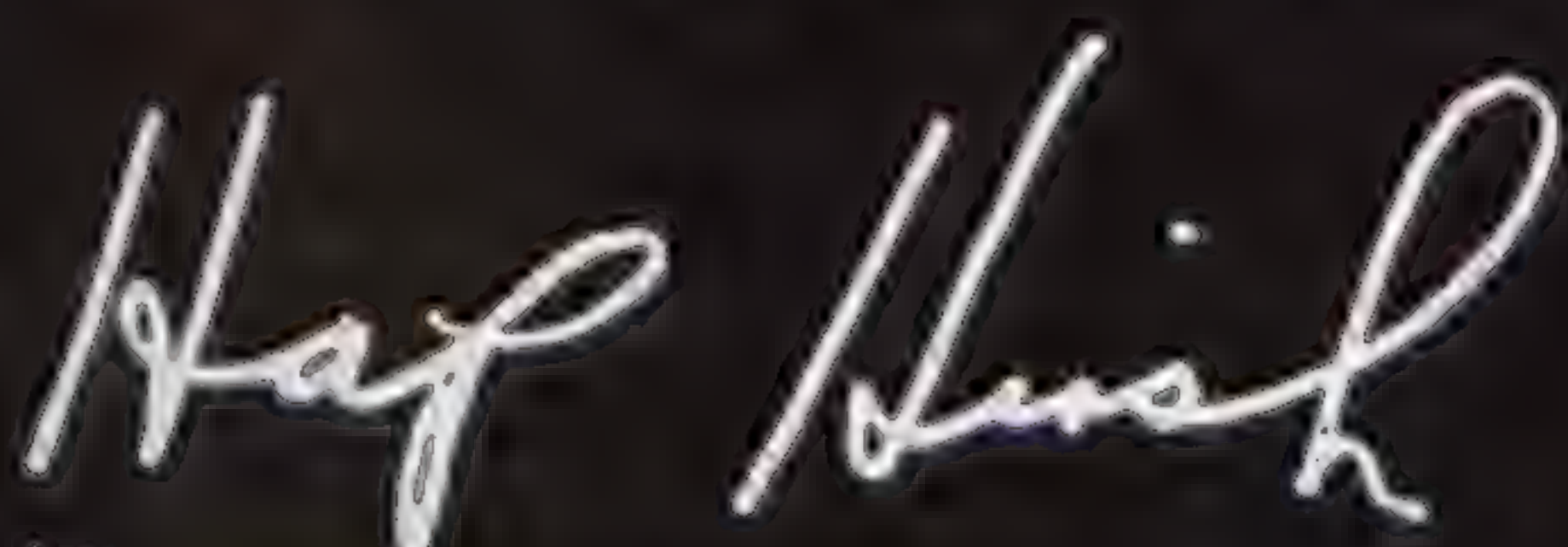
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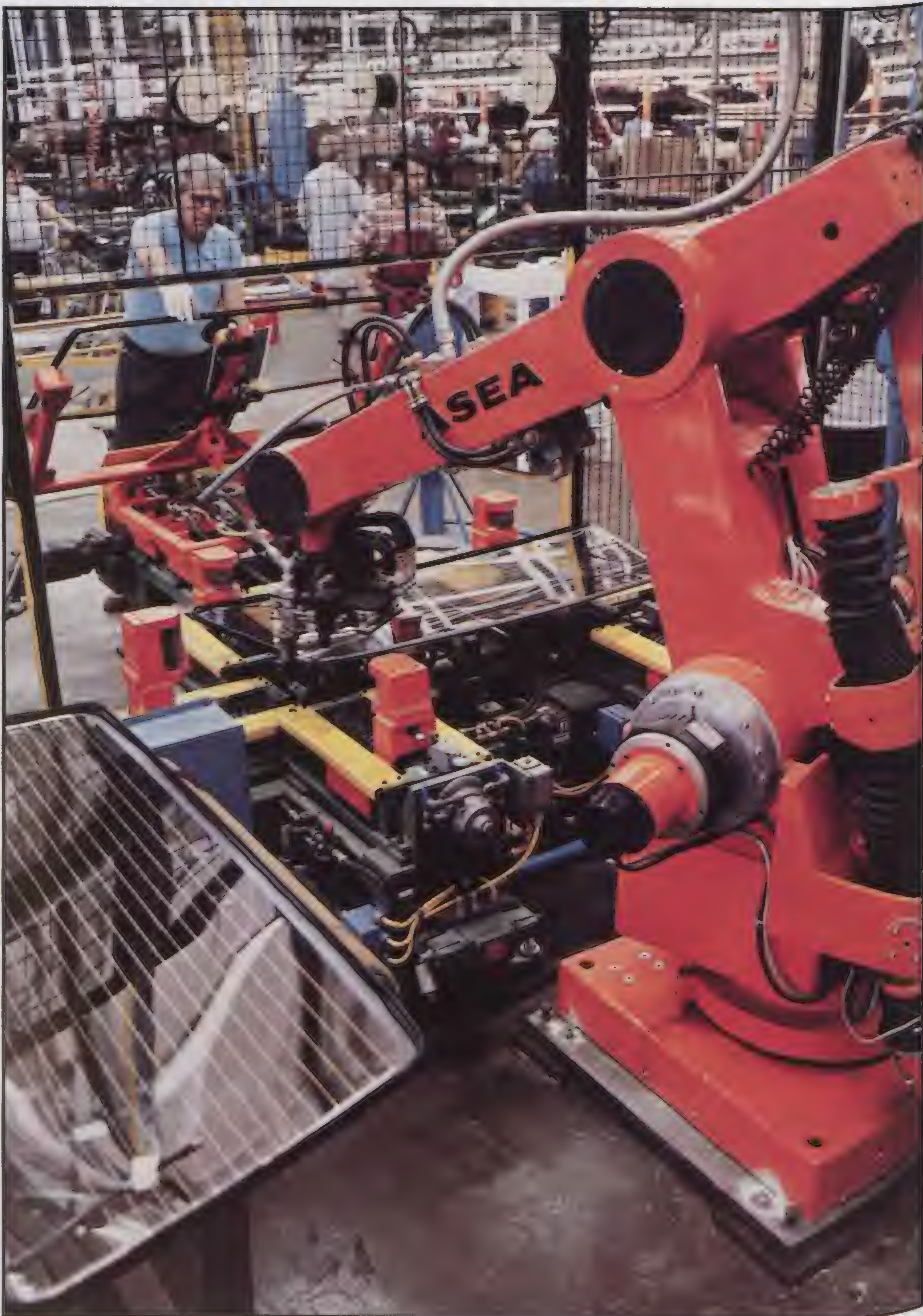
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The Holy Crusade for Quality

The Troops Are Moving Out

by Ben Pope

It has been called the largest industrial revolution in our peacetime history. More expensive than putting a man on the moon. Equal to the cost of the Marshall Plan which rebuilt Western Europe after World War II.

Carrying an \$80-billion price tag, this revolution of the U.S. auto industry seeks to win back world auto and truck buyers from Japanese and Western European manufacturers through increased productivity and better quality. As no small side-effect, the revolution hopes to revitalize a good portion of the nation's economy.

That's pretty heady stuff, but once-complacent Detroit executives now talk like leaders in a holy crusade. Their weapons are robots and computers and lasers and other high-tech hardware and software. Their battle plan is manufacturing flexibility. The foot soldiers who will win or lose the war—the hourly workers—are encouraged to question orders, talk back to command and even suggest better ways to get the job done.

Many of these high-tech weapons are now in place and much of the \$80 billion has been spent. By 1985, it is estimated that 89 assembly plants and 47 new engine and transmission facilities will be rebuilt, re-equipped or retooled.

When the conversion has been completed, all of the industry's 255 domestic plants will have undergone major changes, as will most plants of the industry's more than 5,000 suppliers.

The changes in dealership plants and equipment may not be as dramatic, but the dealer has a critical role in the overall success of this crusade.

"Product quality is just the beginning of a quality loop," says Lee R. Miskowski, service programs manager for Ford Parts and Service Division and former general marketing manager of Ford Division.

"It is essential that the quality image be carried on inside the dealership so that we can give the consumer a total quality product.

"We work for customer loyalty by first building the car right, then delivering it to the dealer right, then relating to that consumer during the ownership period...when the car needs to be maintained or repaired," Miskowski says. "The loop is completed when the customer comes back and remains loyal to the dealer."

Dealer loyalty didn't count for much in the late '70s and early '80s when, Detroit executives agree, at least three factors made the U.S. auto industry see the need for change: the U.S. market became a world market, the oil crisis sent buyers looking for better gas mileage and the consumer who grew out of the

activism of the '60s demanded value and durability.

No one was more disturbed by this combination of events than the dealer of U.S.-made cars and trucks. No one has more anxiously awaited, and demanded, a change. It sure is easier to sell a quality product, not to mention pride and profit.

Joseph A. Campana, Chrysler vice president for marketing, calls quality "the price of admission."

"The American buying public is extremely changed in its way of doing business. It no longer buys cars strictly in terms of styling or comfort.

"And when a dealer has a quality product, he can believe more in his own product. His salespeople can believe too. What happens when you sell a quality product? Your customers become effective salesmen for you. That is a subtle, but very powerful, advantage to having high quality."

The benefits of quality to the service department are rather self-evident—fewer problems during the warranty period and later. But is there a long-term problem when the auto mechanic becomes like the Maytag repairman who has nothing to do?

Auto executives hope the durability mentality which will guide customers to a quality product at the beginning will carry over into the maintenance of the car. Purchasers of luxury foreign cars

Left: Robot applies urethane sealer to a rear window.



Automatic welding system at Chrysler's Windsor Assembly Plant uses computer-controlled robots to ensure a consistent fit for all body openings.

have been schooled to regular service schedules. Change all belts at a certain mileage whether they look bad or not. Replace brake fluid for optimum performance, etc. Detroit executives hope the dealer and staff will be willing to educate American car owners.

But before that stage is reached, service departments will be kept busy keeping up with the technology that is going into these cars. One dealer recently commented that one of his new models has four on-board computers.

"And I have kids who didn't finish high school working on these cars," he quipped.

The answer, of course, is training technicians and building the cars so problems even a Ph.D. couldn't fix can be handled. Miskowski says these areas are not being overlooked. The average hours of technician training at Ford has tripled during the last four years, and the need for serviceability is being built into the cars primarily through the use of modules.

(To page 23)

From the Land of Robots

The windshields of many of the minivans rolling off the line at Chrysler's reborn Windsor, Ontario, plant carried a sticker that spelled out HOT in large red letters.

That sticker was fitting that red-letter day late last year when the first Plymouth Voyagers, Dodge Caravans and Dodge Mini Rams rolled out for Canadian government officials, guests and media.

Earlier, Lee Iacocca had told a gathering of several hundred that these vehicles were going to be a hot item. The hottest thing since the Mustang, and in Iacocca's frame of reference, that is hot indeed.

Chrysler was hot. It had recently paid off its debt to society and was showing a profit. The minivans wouldn't have any direct competition from Ford or GM for a couple of years, and they were being produced at a plant that is a showcase of high-tech production.

And that day, Chrysler workers in Ohio were hot, too...but the strike lasted only a few days.

The threat that a strike might close down this plant in a few days couldn't put a damper on the upbeat tempo of that day. After a proper introduction, a Voyager was driven from a prefabricated garage front, stage right, to prove that a minivan is "garageable" and the fellow from the Chrysler TV commercials stepped from behind the wheel to a standing ovation.

Even the fact that the four Chrysler executives in the back of the Voyager couldn't get out immediately because a vice president of manufacturing couldn't get the "easy to enter and exit" sliding door to open didn't keep this from being a festive day. Iacocca passed that one off as "dumb executives, not poor workmanship."

Everything else went off without a hitch. Chrysler has many reasons to be proud of Windsor. In just 16 weeks—less time than it takes to get your TV fixed—Chrysler totally gutted the 2.5-million-square-foot facility and replaced New Yorker assembly lines with a space-age array of

equipment and work practices that is a microcosm of the auto industry's industrial revolution.

Guests to this press event were whisked through the plant in a fleet of golf carts, so many carts, in fact, that one suspected there was a hard-working robot in a corner somewhere turning them out as fast as riders appeared.

There are 125 robots at Windsor, nearly twice as many as in any other Chrysler front-wheel-drive auto plant. A gang of these get the whole thing started by welding sub-assemblies together to create the floor pan, a job normally done in stamping plants. The completed floor pan then is hoisted by the biggest robot of them all to the underbody assembly line.

There, the sides and roof panels join the floor, and when these are locked in place, the assembly moves into the robogate system where no fewer than 58 robots lash out from all sides to apply precisely 97 percent of the 3,800 weld locations on each body. Eventually, robots will probably do the other 3 percent, but for now, humans finish off the hard-to-reach spots.

"Fit and finish," the outward signs of the new quality image, are supplied by optical lasers that measure openings. Chrysler calls its paint system the most advanced in the industry. Resting on a power and free conveyor system, the bodies begin with an eight-stage full-immersion dip in phosphate solution, followed by a full-immersion electrodeposition primer application. Next, they move to enclosed paint booths where another gaggle of robots paint the interiors (another industry first for the Windsor robots) and exteriors.

After the bodies leave the paint area, they transfer to overhead conveyors and move along a 2,560-foot trim, chassis and final assembly line. Interior electronic components and exterior ornamentation are installed and verified by computerized check-out equipment. A robot applies a urethane sealer to each windshield before installation.

The trim line is supplied by one of the more interesting high-tech applications. Computerized, driverless tow trains assemble in the plant's parts area near the receiving dock. Loaded by humans, the carts deliver parts just-in-time to specific work stations. "We don't know when they are going to take off and go," a worker says. "But you don't have to worry about getting run over. They just know you're there and wait for you to get out of the way."

Engines and transaxles are stuffed into the body from below. Fuel tanks, formerly supplied by a stamping plant, are made next to the assembly line, eliminating inventory and transportation costs.

Tire valve stems are inserted automatically into rims. Later, wheel assemblies are balanced and audited dynamically before being mounted. Headlamps are checked with computerized electronic aimers, and computers control electronic screwdrivers to adjust aim.

In the center of the plant sits a Big Brother-type computer that watches everything going on through 44 video display terminals.

Called the Factory Information System, it gathers data throughout the plant, generates reports and provides instant communication between the plant's manufacturing and maintenance divisions. A supervisor can look at an entire area or zoom in on a specific machine or operation. This sort of control and instant action is needed in the in-line sequence manufacturing and just-in-time inventory control.

From this master brain, the plant operates as one giant machine. Today, they are some human parts, but one day it will be machines running machines.

When the ceremonies brought everything to a stop it was like suspended animation. As soon as the last golf cart returned to the starting line, someone pushed a button somewhere and everything started moving again. The workers put aside their coffee cups. The robots were eager to get at it. □

Robots at Ford's Wayne, MI, Assembly Plant, weld the bodies of the Ford Escort.

Below, van/wagon bodies at Chrysler's Windsor plant pass through a state-of-the-art paint process that includes complete immersion in a uniprime system.

Ford Motor Co



(continued from page 20)

Where is this new magical era of productivity and quality coming from? The answer is on every front.

"All it takes is money," one manufacturing executive says, but everyone agrees it is much more than that. It is the holy-war commitment of top management and the fever pitch of team spirit throughout the organization. (And it does take money, too.)

Most Americans have heard about the Quality Circles in Japanese plants that provide avenues for employee participation and resulting productivity and quality. The subject has been the basis for such "thought-provoking" TV shows as "Alice."

But it must be said here once more that the Japanese approach does seem to work. U.S. automotive executives need only visit Japanese plants, as they frequently do, to see technology we had first, being used more efficiently there.

Historically, American auto workers were expected to meet specifications set by management. Workers were expected to perform a certain number of tasks each shift almost mindlessly. They seldom were encouraged to consider better ways to do the job.

Now, all the U.S. companies have human relations programs, but most did not begin until the late '70s and even the early '80s. The idea (which seems so obvious but is still rarely seen in this country in any line of work) is that an employee will do a better job if he or she is part of the input to the product or service. The product is better, the employee is happier and the process builds on itself to exceed specifications rather than simply meet them.

Ford calls its program Employee Involvement; GM has its Quality of Work-life program; and Chrysler spells it out so no one will misunderstand, the Joint Chrysler/UAW Product Quality Improvement Program. Whatever you call it, U.S. manufacturers agree it is an essential element of the overall program.

Ray Doty, chief engineer at Ford's Manufacturing Process Systems, gives an example of how the concept works. When the Ranger truck was still in the prototype stage, it was taken to the Louisville plant where it was scheduled to be built. Workers were asked to make suggestions on how to improve it, and 75 percent of the suggestions were adopted. And the product is much better for them, Doty says.

Another spokesman at Ford was even more enthusiastic. "That truck is so good it's equal to the best in the world, which is produced in Japan."

While employee attitude is becoming recognized as extremely important, the gee-whiz side of the productivity/quality equation remains the new technology.

Computer-programmed computers make computers to put under the hood. Driverless carts deliver parts to the assembly line when they know the parts are needed. Lasers and electronic probes and computers that talk to each other inspect and correct manufacturing processes from producing bolts to adjusting camber just before the car leaves the plant. Robots send up a shower of welding sparks or deliver a red dashboard ready for radio but no clock for car #6759 just as it reaches the designated station. (See accompanying article on Chrysler's Windsor plant to see how this all comes together.)

Each of the Big Three is taking slightly different routes to the same end, a totally new U.S. auto industry.

Chrysler is being pulled along by its front-wheel drive. As each plant is converted to making a new product, the robots and their high-tech friends move in. Ford and General Motors are "moving on all fronts," upgrading islands in existing plants and then tying the islands together and building a few green-field plants.

While many people think of robotics as the standard-bearer of the new technology, they are but a small part of the whole concept of "flexible manufacturing" which came into the jargon about 10 years ago.

The Deere & Co. tractor assembly plant in Waterloo, IA, is accepted as the earliest example of the flexible plant concept. Completed in 1981, the Deere plant produces 10 different tractor transmissions and 5,000 different configurations of tractors through its integrated computer system. While its two major rivals, International Harvester and Massey-Ferguson, have lost millions and skirted bankruptcy, Deere has remained profitable.

It is this product flexibility which can change with market trends and greatly reduce model changeover time and expense that the auto industry seeks.

"Our challenge is to grasp and understand what the possibilities are and apply them in the most effective way," says Ralph Behler, program director at

GM Manufacturing, Engineering and Development.

"We are talking about systems that start in the engineering area—designing the tools and making them, planning production facilities, fabricating and machining the parts, inspecting, assembling."

One of the challenges is to give robots a wider range of jobs. By the end of last year, the approximately 5,000 robots at work in the Big Three were being used 70 percent of the time for welding. That percentage is expected to drop as more ways are found to use robots in materials-handling and assembly processes.

While flexibility of tools is a major part of these engineering changes, a more rigid approach to assembly, inventory and supplier support are also key factors.

In-line assembly of vehicles is becoming widespread. Ford's term, "straight gut," describes the principle more graphically. Cars move down the assembly line with every machine, computer, supplier and work station ready to do what it must on that special order. If a problem occurs, it is not put aside but solved before the line moves on. The concept calls for thousands of things to take place on schedule, but it also keeps problems from recurring, or worse, getting out of the plant.

Just-in-time inventory is a major part of the system. Instead of devoting expensive floor space for inventory and mounds of parts beside each worker, parts arrive from suppliers as needed and are delivered to the proper assembly area sometimes within minutes or hours. Suppliers are tied into the production plan and gear their output accordingly. Many are building their factories near assembly plants.

Flexible manufacturing would be an obvious boon to the auto dealer as marketing miscalculations would be quickly removed from the line and replaced by something the consumer wants now.

That's not as exciting as giving Neil Armstrong an opportunity to take a giant step for mankind, but for some dealers it must rank a pretty close second. □

Ben Pope is a frequent contributor to Automotive Executive. His most recent article was "Sab Story: Horatio Alger Lives," in the October 1983 issue.

Adding a Fresh Coat

Last year saw a turnaround in the fortunes of automobile dealers. Sales figures for the year, for the most part, registered a dramatic increase over 1982, and for some makes 1983 was a record-breaking sales year. And, as icing on the cake, 1983 also saw a drop in interest rates.

One sign that the recovery has taken hold is the upswing in the number of dealers remodeling, redecorating or even constructing new stores these days. "When business was bad, all dealers wanted to do was survive," says Robert Sussna, Sussna Design Office, an architectural firm in Princeton, NJ. "No one started any remodeling work. Now, dealers are rushing to get work done that they put off."

A McLean, VA, contractor says this is particularly true of domestic dealers. Jeff Austin, manager of the building systems division of Jack Bays Inc., says, "Because of increased domestic sales and new design breakthroughs, it's a much more visible market right now than it has been in the past few years. A lot of dealers are hurrying to capitalize on that interest."

Dealers who have not looked into remodeling for a few years might be surprised by the changes in dealership design and showroom decor. All the experts agree that the trend today is toward efficiency and practicality of oper-

ations, more compact layouts, with less emphasis on aesthetics and public perception.

The most important factor in a dealership design today, says Rusty Monk of J.M. Monk, general contractors in Houston, is "people efficiency." "Traffic flow through the dealership is a major consideration," Monk says. "There is greater efficiency in today's layout, careful consideration given to the optimum place for everything and everyone, rather than just taking a huge facility and adding things here and there." (J.M. Monk is a leader in dealership construction. The firm has built 35 dealerships in 12 years, with six currently under construction.)

Showroom interior design today, says Austin, "is less showy, leaning toward practical, maintenance-free facilities." The most popular colors are neutral shades, to make the cars stand out, not overpower them. In short, a quiet elegance prevails.

Renovation Projects on the Rise

More dealers are renovating and remodeling existing facilities rather than undertaking totally new construction, for an obvious reason—cost.

Cascade Imports, a Porsche, Audi and Mazda dealer in Akron, OH, recently broke ground for a 3,400-square-foot addition. David Carlisle, vice presi-

dent and general manager, says the addition will "ultimately affect every dealership department."

Cascade's addition includes an outdoor canopy service reception area, an expanded service department with five new bays, a relocated parts department, new offices and "an additional 60 percent in showroom display area," Carlisle says.

Sometimes, as Carlisle found out, what looks like a good idea in the planning stage doesn't work on a practical basis. "Our initial plan was to have customers drive into the service area to a pleasant reception area to be greeted and written up. But we realized that with the additional door this would require, a funnel effect would be created, with wind rushing through. It wouldn't be comfortable for employees, not to mention the sharp increase it would cause in our utility bills. So we settled instead on a covered outdoor reception area, with a picture window and small door leading into the service reception area. We will have only one large insulated door into the service department, which will have a special seal," Carlisle explains.

"We see great opportunity in our market," Carlisle continues. "Although we had some tough years, we made it through. And this past year we had strong growth in all departments. We

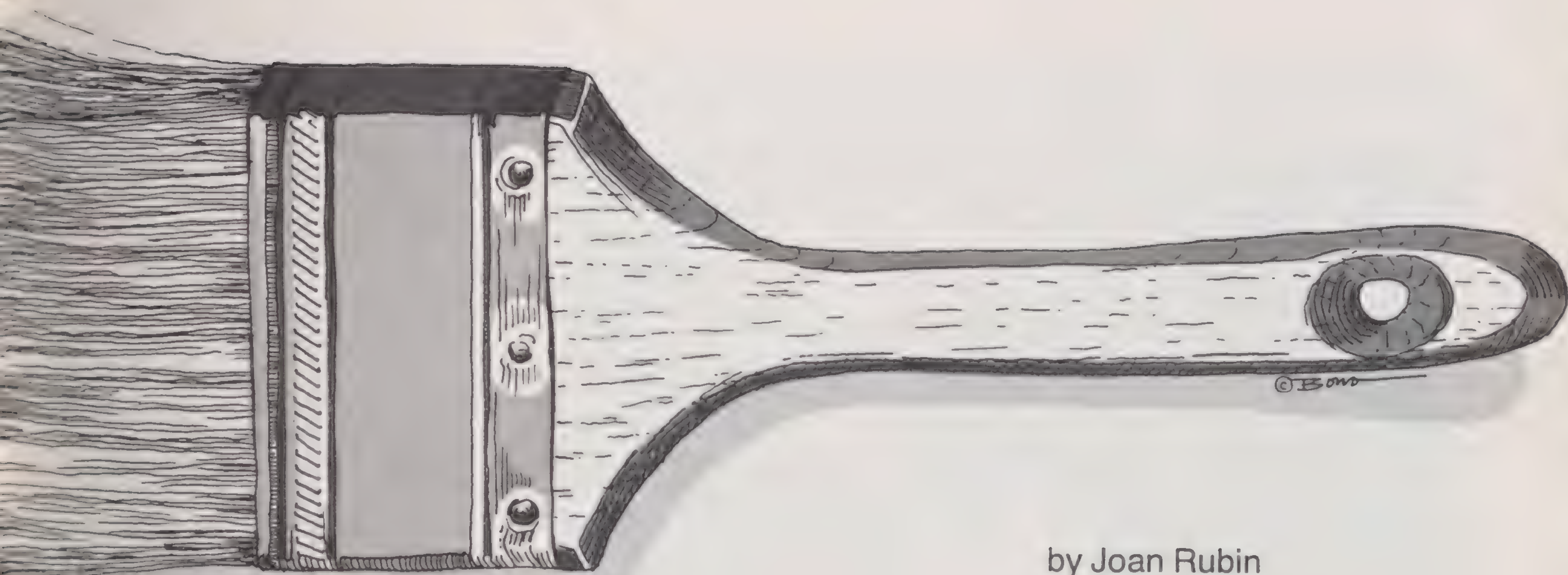


Illustration by Bono Mitchell

by Joan Rubin

want to show our customers and manufacturers that we're committed." Currently, Cascade Imports sells 220 to 250 new cars; Carlisle says his goals for the remodeled store are 500 new and 250 used.

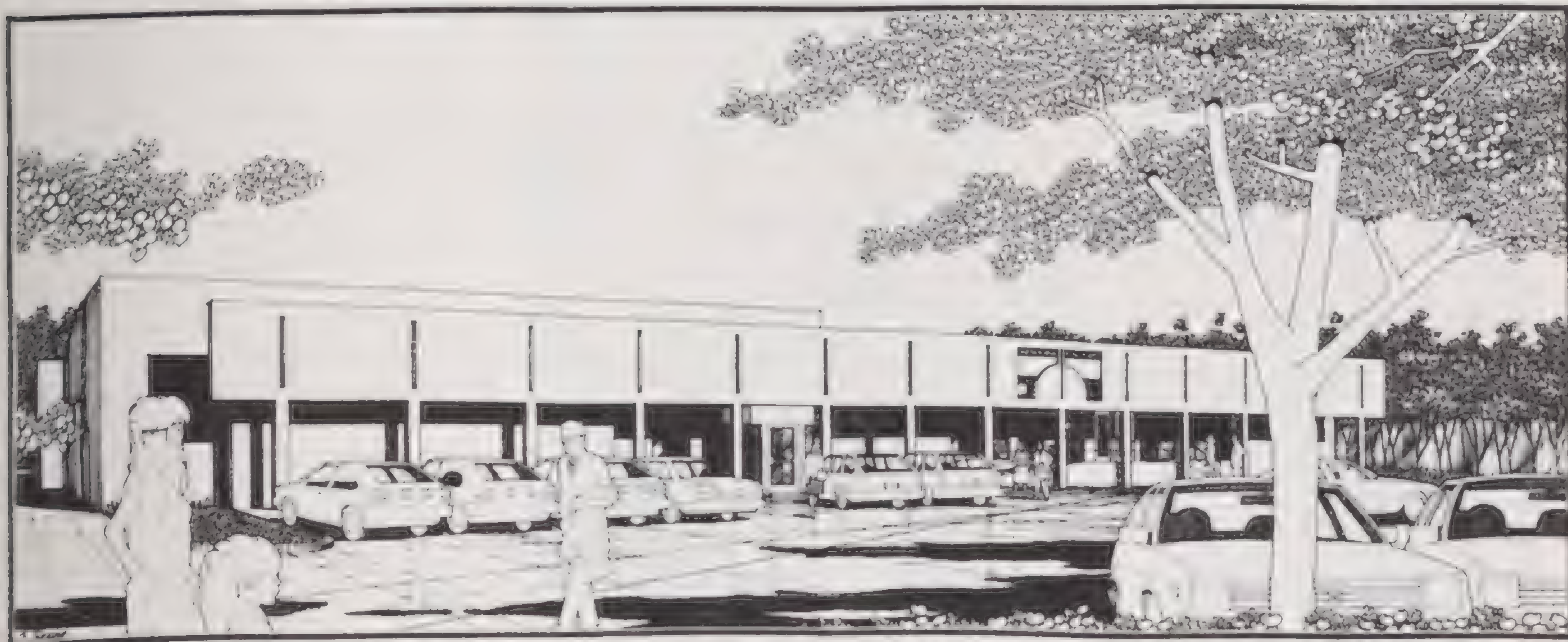
In Princeton, NJ, Z & W Enterprises, a Honda and Mazda dealership, has retained Sussna Design Office to remodel its facilities. Z & W sells 700 cars a year and services about 45 a day. The store foresees doubling this volume in two years, thus the need to expand its already cramped facility.

Z & W's general manager, John Wood, echoes Cascade's Carlisle when

he says, "We want a building that our customers can relate to—one that reflects our permanence."

Sussna has designed a street-front facade for the dealership which unites the street elevation visually and masks disorganized elements of the building. "The facade will look technological and crisp—like a well-made car," says Sussna. "The interior plan will expand each aspect of the company's growing operation in a carefully controlled sequence of spaces." For greater efficiency, new administrative offices will be adjacent to both the sales and service departments.

Z&W Enterprises, a Honda and Mazda dealership, was redesigned by the Sussna Design Office, which remodeled the street-front facade to mask disorganized elements.





Otto's "Mega-Dealership"

Otto Oldsmobile-Cadillac Inc., Albany, NY, has just opened what it calls a "mega-dealership," the largest Oldsmobile-Cadillac dealership in the Northeast, with state-of-the-art construction features. After 18 months of research and design, including viewing more than 30 top Eastern dealerships, and with prior approval from General Motors, Walter E. Otto II, president, broke ground in 1982.

Gregory J. Seleman, architect for the Otto dealership, estimates costs at \$2.5 million, including equipment. "The most unique aspect of this dealership is its size in today's market," he says.

The property is well over three football fields deep, which accommodates an 800-car inventory and ample parking adjacent to each department.

The total building area is over 40,000 square feet, three times the size of Otto's old facility. The interior uses glass and mirrors, imported tile, plush velour pile carpeting, red oak and brick. The layout of the sales, parts, body shop and service departments was planned for the ultimate in customer convenience.

The 12-car showroom has nine closing booths. The Otto sales force

also has offices separate from the closing booths where they perform daily business.

The service department can handle 24 cars at once. A 10- to 12-car waiting area allows customers to pull inside, before checking in for service. A team of service writers is stationed at a "control tower" desk.

The facility is powered by two 25-horsepower compressors and heated by a radiant heating system that only heats objects, not the surrounding air. Industrial-size fans turn over the air in the service and body departments several times per minute, while a fan in the spray-painting booth can generate a wind of up to 70 mph.

This mega-dealership has an 8,200-square-foot, bi-level parts department; the 15-car body shop includes an explosion-proof room for paint mixing, and a spray-painting booth. The facility also contains offices for leasing and financing, a customer reception area, administrative offices and an insurance adjuster's office.

"This dealership is the culmination of a dream," says Otto. "Every time I walk through these doors, I feel a great sense of satisfaction and pride." □

In the new design, the service and parts departments are reorganized around a new skylit customer entrance, large enough to accommodate the morning and evening traffic rush. Much thought has gone into the expanded service department because, Wood says, "service is becoming just as important as sales in gaining and keeping customers."

New service bays are planned and existing bays will be remodeled to meet the specific needs of each mechanic, including a more structured arrangement of tools and equipment. Graphics will clearly indicate the function of each workspace and give definition to the overall space. To save energy, a single vehicle entrance to the main repair shop will replace existing garage doors. Incorporated into the design is an unusual energy-conserving feature: a customized heating and air conditioning system that burns waste oil recovered from routine oil changes.

The area surrounding the facility will undergo an aesthetic and functional transformation as well. The parking lot will be reorganized to clearly delineate the separate areas for sales, service and customer parking. New landscaping, a more organized traffic flow, and a better display of new and used cars are also planned.

Innovative Trends Reflected in New Construction

While new construction is not as prevalent as remodeling projects, there has been an increase in new facilities in the past year. And many of the new stores have incorporated the latest in efficient design and interiors.

The new Hurlbert Toyota and Dodge store in Kingston, MA, was designed with efficiency in mind. It is, says Bob Hurlbert, both people- and energy-efficient. "Our floor plan," Hurlbert says, "was designed to make the most efficient use of our personnel."

To save energy, Hurlbert wanted a passive solar building. "We have very few windows and only one glass wall, which faces south," Hurlbert explains. "Circulating fans bring the sun-heated air down into the showroom. Our shop is windowless, doubly insulated, and also has circulating fans.

"The south side, with its big glass wall, is the first side of the building the customer sees from the highway, so the cars in the showroom are clearly visible. There was no need to add any more glass," he says.

"Most of the dealerships within 15 to 20 miles of us," Hurlbert adds, "are traditional, flat-roofed metal or block-and-stone-type buildings. We are contemporary, with a gray-stained wooden

facade—we're near Cape Cod so it blends in with the environment. We probably get a lot of people stopping in out of curiosity to see what this place looks like on the inside."

Limited space led Stohlman Tysons Mitsubishi, Vienna, VA, to design an efficient, two-story structure. Steve Harrison, vice president and general manager, says, "We utilized as much of the square footage as possible—there is little wasted space, with limited hallways and dead areas. This helps keep the

Koons of Manassas, a Pontiac, Oldsmobile, GMC, Honda dealer, wanted the cars to be the focal point of its new showroom design, and used neutral tones accented with blue to highlight the cars.



Parking Lot Perils

Herb Gordon of Herb Gordon's Auto World (Nissan, Mercedes, Oldsmobile) outside Washington, DC, tells why he spent "a not-inconsequential sum of money" a few years ago to patch, repair and coat two of his parking lots.

"I keep a night watchman on the premises and people assume it's mostly to keep insurance costs down. But it's also part of our marketing process. If I take a customer out to see that \$40,000 Mercedes and we find the wheels missing, you know what happens. I'll never sell him that car or any other car even if I promise one with solid gold wheels. He's lost faith in our integrity, our image of quality and service.

"In my opinion, it's the same if he or she trips over a pothole or has to kick through chunks of loose asphalt."

About five years ago, Gordon says, he acquired a showroom and service center alongside his existing facility to house and handle a new line. The pavement was about 10 years old, he estimates, and while not in critical shape was beginning to show signs of deterioration. Cracks were causing pieces of pavement to work loose, there were undulations in the surface where water and ice could accumulate, and crumbling was apparent around the fringes. Realizing that he was facing a major replacement expense in the not-too-distant future—hardly the kind of expense he relished at a time when the industry was entering a slump—he sought some kind of compromise solution, a way to rehabilitate the pavement, extend its service life and improve its appearance within a reasonable budget.

But how does someone not an expert in pavement know where to turn? Gordon hired PAVCO, The Pavement Consultant Group of Beltsville, MD, which offered some suggestions.

There are many technical terms used to describe pavement damage. "Alligatoring," says Art Pelkey, PAVCO chief engineer, "is pretty much what the term suggests: A criss-cross pattern of cracks that looks like the hide of an alligator. If left untended those chunks of pavement surrounded by the cracks will work loose. Then you face a worse problem. Water penetrates easily into the structure and loosens the binder. If it freezes down there it splits the pavement apart. And with all those cars using the lot, oil, gas, grease and anti-freeze penetrate and literally dissolve the structure."

Alligatoring, spalling, ravelling, bleeding, blowing, heaving—they all describe surface symptoms that suggest serious internal damage and are warning signals of potholes and major deterioration in the offing. Weeds are another symptom. Dust gets into these cracks and the wind blows seeds that take root and, as the roots deepen and spread, they act much like subsurface ice.

Because pavement costs so much to install and appears to be solid and enduring, people assume it can take care of itself. These minor surface imperfections don't, of themselves, seem to warrant action. In reality, both asphalt and concrete are vulnerable to an almost limitless number and variety of physical and chemical agents. Natural weather conditions dry it out and cause the binder to separate from the aggregate.

The auto dealership—like any business heavily dependent on a parking lot—has a special problem. Cars left for a long period of time in the same place deposit their drippings in concentrated spots which accelerates the damage potential. This contrasts with roads and highways where deteriorating agents are widely scattered and, due to the camber design, can run off before doing substantial damage.

"Take a look for yourself," PAVCO president Steve Sadle advises. "Wherever you have your parking bays you'll see dark patches below where the car engines have been sitting. If you poke these patches, chances are they'll feel softer than nearby pavement. It's self-perpetuating and it doesn't do anything for your image of quality."

Surface and Subsurface Drainage Is Critical

Unfortunately, surface drainage is hard to achieve with a large parking lot. This is why the surface has to be repaired and coated periodically with an emulsion that resists physical and chemical agents and plugs orifices leading below. Even this can have its hazards if done indiscriminately, says Sadle.

"Service stations especially and some car dealers insist on coating their surfaces every year," Sadle says. "The idea is good but the method is wrong. Unless your coating material contains some abrasive materials, successive coatings can get slippery. Also, these cosmetic touches may disguise underlying damage that should be treated first. It's like slapping a coat of paint on your house without taking care of rotten wood. Furthermore, there are new coatings on the market now that last longer."

Pelkey, with his engineer's perspective, insists that good pavements are built from the bottom up, referring to the importance of a foundation. A layer of crushed stone and gravel performs two essential functions—it supports the weight of the pavement and traffic, and provides subsurface drainage. It all comes down to what pavement experts, including The Asphalt Institute, preach—that traffic alone doesn't destroy pavement. Traffic *plus* water is what does the damage. □

—Ted Cook



The design of Hurlbert Toyota and Dodge incorporates skylights to bring additional light into the showroom and conference room.

building cost down. In addition," he says, "a two-story building is more economical because one roof covers two areas. With our space limitations, our parts and service departments are below the sales area and offices—all in one vertical plane."

Harrison advises dealers considering new construction to make a preliminary review of local ordinances and meet the zoning people "to see what you're up against. You may even change your mind. Even though our property was zoned appropriately," he says, "we still spent six months with the county to get everything squared away. And that's not an inordinate amount of time."

Showroom Design: A New Look

According to designer Sussna, "showrooms are getting smaller, but they are generally nicer places than they used to be. Better colors and better lighting are being used, artwork is selected carefully—in short, they are just more pleasant places."

An open showroom is another trend. Carlisle of Cascade Imports says his new showroom will incorporate an open landscape. "We've done that in another store and it provides a pleasant, friendly atmosphere," he says. "A customer sits with the salesperson at a circular table out in the showroom among

the cars, not across a desk in a back office."

Koons of Manassas (Pontiac, Oldsmobile, GMC, Honda), Manassas, VA, recently redecorated its showroom. Designed by Kathy Kane of Desks & Furnishings Design Group, the Koons showroom is an example of what's called a "turnkey" operation.

"At the beginning, we worked with the architects on planning the interior space and specifying electrical lighting needs," Kane says. "We chose the color scheme, floor and wall coverings, office and showroom furniture and accessories such as plants and graphics. When we finished, all Koons had to do was drive in the cars and assign the offices."

The cars must be the focal point in the showroom, says co-designer James Clancy. D & F used neutral tones accented with blue to highlight the cars. Each office wall facing the showroom is glass, faced in light oak, to provide a more open feeling. "With such a large amount of interior glass, we were careful with overhead and office lighting so we wouldn't wash everything out. We chose indirect lighting that substantially reduces glare while providing enhanced visibility," Clancy explains.

Arthur E. Hish, president of Koons of Manassas, is pleased with the results.

"We run our business in an efficient, friendly way that keeps people coming to us, and that feeling is certainly captured in this design," he says.

Some successful showroom designs focus on a "regional" approach. The showroom of St. Claire Cadillac, Santa Ana, CA, for example, achieves a "California" look with adobe walls, Spanish tile floors, exposed wooden beams and an open landscape. General manager Frank Walt says he's currently adding track lighting to his showroom for a fresh touch.

Across the country in Massachusetts, dealer Hurlbert says, "Since we're in cranberry country—in fact, we're built on what 20 years ago was a cranberry bog—we utilized a lot of cranberry colors, with a linoleum floor that resembles gray slate. The showroom walls are off-white, so any color car you put in there just jumps out at you."

Which has to be, of course, the main objective of any showroom redecorating project. □

Joan Rubin is assistant editor of *Automotive Executive* magazine.



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Sales & Marketing The Bidwell Way

In this exclusive interview, Chrysler's Bennett Bidwell talks candidly about new product plans, distribution policy, the GM-Toyota venture, H.R. 1415, and the outlook for '84.

When Bennett Bidwell became executive vice president of sales and marketing at Chrysler last June, it represented something of a reunion. Five years earlier, Bidwell worked with three other key Chrysler executives at Ford Motor Co.: Chairman Lee Iacocca; Vice Chairman Gerry Greenwald; and Harold Sperlich, president of North American Automotive Operations. The four weren't a team at Ford, but they are now. They share management responsibility in Chrysler's new Office of the Chairman.

Bidwell left his post as group vice president of Ford's car and truck group in 1981 to become president of Hertz Corp. In his new role, he directs sales and marketing for Chrysler Corp.'s Chrysler-Plymouth and Dodge divisions. Known for his strong rapport with dealers, Bidwell says Chrysler hired him "to make sales and marketing part of the first team."

Automotive Executive interviewed Bidwell in his Highland Park office. Participating in the interview were Jim Clark, NADA director from Kansas and chairman of NADA's Chrysler line group, and Gary James, senior editor of Automotive Executive.

Automotive Executive: What was 1983 like for you?

Bidwell: We've had some exciting activities. Last September we paid the gov-

ernment the final \$800 million on the \$1.2 billion we owed in guaranteed loans. That enabled us to earn our "Declaration of Independence." We became a private citizen again.

As to sales volumes during '83, we were up more than any of the Big Three, year-to-year. We sold 841,622 cars in 1983, a 26.1-percent increase over 1982. If you include imported models, we sold 945,191, a 19-percent increase. Our market share was up, too, for the third consecutive year. We launched two all-new products in '83—the Laser and Daytona. And we are in the process of launching the Voyager and Caravan, which are off to an incredibly good start.

In '83, our dealers wrapped up record profits on both sides of the franchise house. In June, we set an all-time record for us; almost every month since then has also shown record profits.

So if you put it all together, it was a watershed time for Chrysler.

Clark: Are you as optimistic for '84?

Bidwell: Very. I can't predict our market share in cars and trucks, because I don't know how big the market is going to be. But it's going to be big.

We look for passenger car sales in '84 to hit a minimum of 10 million, possibly 10.5 million. Trucks will be in the range of 3 to 3.5 million. So there's a potential of nearly a 14-million new-vehicle mar-

ket. At the very least, we'll hit 13 million, and that's pretty healthy by the standards of the last three or four years.

Automotive Executive: What market share is Chrysler hoping to capture?

Bidwell: I'm looking for somewhere around 10.5 percent on cars; if the market is 10 to 10.5 million. Our market share on cars will be somewhat deceiving, because the new Caravan and Voyager are technically being sold as multipurpose vehicles, and will fall on the truck side.

Automotive Executive: There have been problems in recent months with allocations of your hot models. Will dealers get the products they need in the spring?

Bidwell: I sure hope so. We've reviewed the whole distribution procedure. We've worked hard to earmark a higher percentage of vehicles for dealers instead of fleets, even though our fleet orders for the '84 model year are up about 50 percent.

Our current shortage stems from cutbacks we made to avoid bankruptcy. At the moment, we are building—and our dealers are selling—every car and truck we're capable of making. We ought to be able to solve our supply problems in the first quarter.

We reopened St. Louis and are finishing the plant we bought from VW. By next August, we'll add 700,000 units to our production capacity. All plants are on double shifts, and almost full over-time as well.

Clark: Are today's allocation problems strictly a byproduct of supply shortages?

Bidwell: We're playing a new ballgame. The corporation is not used to allocating vehicles, and our dealers are not used to operating on an earn-and-turn basis.

In effect, we have attempted a new distribution philosophy. Our dealer councils have generally endorsed the concept that if you turn vehicles fast, you should get a faster flow than if you're not. But you're playing with computers and sometimes individual judgments are missing. Our smaller dealers, who sell only one or two convertibles a year, have a hard time earning convertibles until they sell some.

We're working to establish a pool for smaller dealers to draw from, outside of this turn-and-earn ballgame. I think the larger dealers are comfortable with the system. They understand it, and know how to work it. But even they are learning. Many dealers who used to say, "OK, I'll wait and see what falls through the slots that nobody else buys," order 50, and put a promotion on them, are realizing they can't do that any more. That causes frustration, but both sides are trying hard. I'd rather have that problem than be up to my elbows in unsold iron.

Automotive Executive: What impact will this all have on quality?

Bidwell: There is no question that from the top down, perhaps a little belatedly, the management of Chrysler Corporation has said that our number-one priority for the '84 model year is quality.

When you're on the beach at Dunkirk—which we were for three years—your number-one priority is to get the

hell off. Survival was our main objective, and other considerations took a back seat.

We're over the hump now. As businessmen, we can look ourselves in the navel and say we either stand for quality or we don't. If obtaining quality means slowing the line down, taking a couple of days down, or investing in new equipment, we're going to have to step up to it. And we're doing that.

We just finished the biggest launch in the history of the Chrysler Corporation. As everybody knows, it came at a time when the industry was exploding. The supply community for this industry had gone through about two or three years of big forecasts. They were skeptical, and unprepared. As a result, we wound up with supply problems, not Chrysler-manufactured components, but outside ones. To try and get the volume and quality that's required hasn't been easy.

For example, we just started to build the Dodge Daytona Turbo Z, which has received the thrust of Daytona advertising since September. We didn't build any until December because we weren't satisfied with the quality of the supplied spoilers.

We built other Daytonas, but the dealers are a little restless. That's one of the things you get into when you talk quality. There is always a tradeoff. Sometimes dealers will just say, "Ship them to me. I'll put them together." In the long run, that's no way to operate.

Clark: Chrysler recently instituted a program called "velocity marketing" to help dealers order cars more efficiently. What does that mean?

Bidwell: Velocity marketing is a system for figuring out what models, transmissions, colors, trims and options are selling—information that helps a dealer narrow the order spectrum by concentrating on the most popular models.

We have a complex line, with hundreds of combinations, some dead weight. What moves well in Minneapolis may not move at all in New Orleans. So we're trying to position ourselves to say to Minnesota dealers, "In this car line, if you order this ratio of models with these colors and these options, the cars will turn better."



Jim Clark, NADA's Kansas director and chairman of the Chrysler line group, discusses dealers' issues with Bidwell.

That's a new concept, because we were in the habit of building whatever dealers wanted, whether it was right or not. There's a tendency for sales managers ordering 100 cars to take so many of each color—many of which may sit in inventory for a long time. When you're into 250,000 on a given model like GM or Ford, velocity tends to sort itself out. But when you're building a lot of small-volume nameplates—40,000 or 50,000 sales a year, like us—you have to work harder.

Automotive Executive: Are you creating stronger, separate identities for Chrysler-Plymouth and Dodge?

Bidwell: It's critical for our long-term dealer health. Why bother with different brands if there's no separation?

While your left hand is trying to reduce complexity, your right hand is trying for greater differential. But you hit yourself coming and going. The more differential you create, the more complexity you end up with; and the more complex we get, the greater the possibility of production error.

Because we have a small production network building a good volume of cars and trucks, our complexity per plant is extraordinarily high. At Jefferson, our oldest plant, we're building K Cars, LeBarons, 600s and New Yorkers. At St. Louis I, which is strictly a two-door plant, we're building K Cars, LeBarons, convertibles, Daytonas and Lasers.

Automotive Executive: What's your current relationship with the United Auto Workers?

Bidwell: On balance, relations are pretty good. But it was a dash of cold water in our face to find that the lessons everybody learned during our turnaround were only temporary.

When we were in trouble, everybody sacrificed—extended terms, slow pay, wage cuts or benefit cuts. And it worked. As soon as we started making some profit, however, everybody wanted a piece of the action. We were startled by the magnitude of the union's demands. But we also recognized that Chrysler workers had sacrificed more during the last three years than anybody

else—and there was some "catch up" due them.

We had an adversarial first session. Maybe both sides were to blame. But now we have settlement, and everybody's attitudes are good.

It was costly for Chrysler and, in some ways, to American industry. But we were too new out of the ditch to risk being shut down for 30 to 60 days. I believe we have labor peace for the next two years. The real issue will be next fall when General Motors and the UAW sit down. GM will be making several billion dollars a year, and it will be an appropriate time for the union to say, "You can afford to pay us more."

If they go to the equivalent of \$29 and \$30 an hour, counting fringe benefits, everything in this town and the industry could be back in trouble again.

Clark: You mentioned the sacrifice Chrysler workers made. But wasn't that only in relation to GM workers, not manufacturing workers as a whole?

Bidwell: Absolutely. But, they look at it their way, and if I were them, I would look at it that way, too.

Automotive Executive: Chrysler has been a loud critic of the proposed GM-Toyota venture. What does this project mean to the industry?

Bidwell: It's terrible. We're talking about the number-one and number-three automakers in the U.S. working in tandem. Really, they are number-one and number-two in terms of world strength. If Toyota were within the boundaries of this country, nobody would even consider allowing this project to take place.

Whether it's legal or not, we're skeptical. At a minimum, we believe the world ought to know the details.

Chrysler has been living with its books open to the world for three years. Admittedly, we went for a loan, but we haven't been able to do anything since then that wasn't public knowledge.

Automotive Executive: If it does go through, would this put pressure on you to abandon your plans for future small-car production?

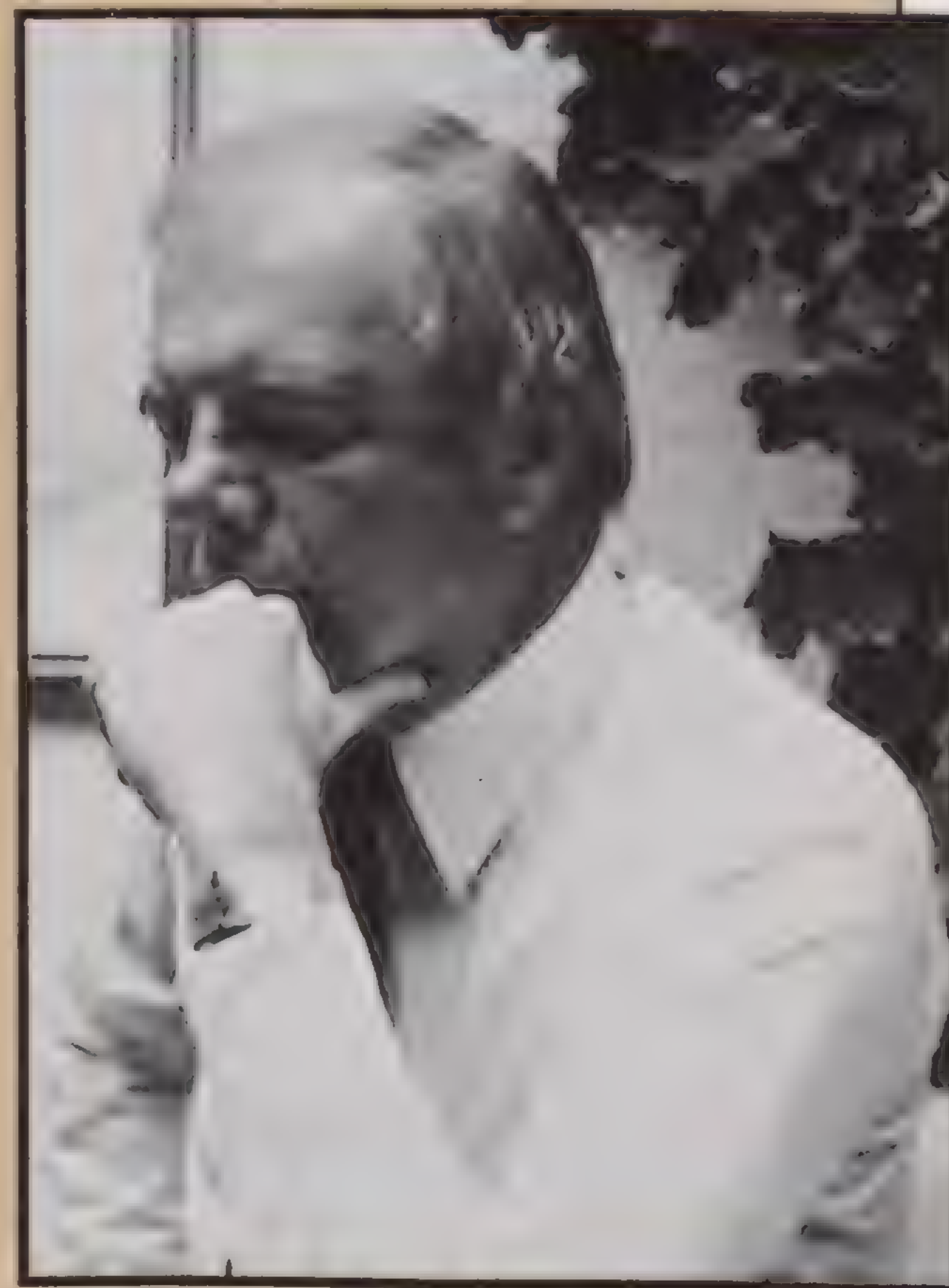
Bidwell: If General Motors in effect, says, "We cannot compete in the sub-compact market in the United States," how can Chrysler? We have a \$600 million small-car program scheduled for 1986 in our Belvedere (IL) plant. We'd like to build it. But we don't have that kind of money lying around in loose change just to prove a point.

You don't invest \$600 million in a new small car just for the hell of it.

Clark: What does your long-range relationship with Mitsubishi look like? Will you continue to have joint projects?

Bidwell: We hope so. The relationship between Chrysler and Mitsubishi has been touchy in the past for a variety of reasons. Until recently, Chrysler was a weak partner to Mitsubishi, even though Mitsubishi was dependent upon Chrysler for its distribution and volume in the U.S. But now there's a new spirit on both sides.

I had a very productive trip to Japan over Thanksgiving, and was much encouraged. Our objective is to sit down as partners with Mitsubishi and work



According to Bidwell, passenger car sales in '84 will range from 10 to 10.5 million.

out a long-range plan that makes sense for Chrysler and its dealers, while still allowing Mitsubishi to pursue its destiny with its own franchise system.

One thing that isn't in anybody's interest is to come up with a situation where everybody is distributing a few thousand of everything. We don't want a Mitsubishi dealer sitting next to a Chrysler dealer with identical product lines. Of the first 80 Mitsubishi dealers appointed in this country, the majority

were within a mile and a half of a Chrysler dealership.

Together, we need to work on distribution planning. Mitsubishi is important to Chrysler because they provide entry-level cars that balance our lineup.

Automotive Executive: Does that mean that in the future you won't bring over models that Mitsubishi offers through its own dealer network? I'm thinking of the new, imported Dodge

and Plymouth Conquest, which bump up against some of your own products.

Bidwell: The Conquest is low-volume, and shouldn't cause any problems. More interesting will be to see how our T-115s do against the Vista. There's room for both products at a good profit to our dealers. The numbers we're looking at are about 10,000 for the Vista, versus well over 200,000 on the T-115. So it isn't a big head-to-head competitor.

Why Bidwell Opposes H.R. 1415



At a congressional hearing December 19 in Jackson, MS, Chrysler's Ben Bidwell testified against H.R. 1415, the bill sponsored by Rep. Gene Taylor (R-MO) to eliminate fleet subsidies by manufacturers. Speaking alongside Taylor in favor of the legislation were NADA President William Turnbull, NADA Executive Vice President Frank McCarthy, and Mississippi dealers Al East, Carl Herrin and Bill Watson.

Drafted as an amendment to the existing Automobile Dealers Day in Court Act, H.R. 1415 prohibits manufacturers from offering lower prices, rebates and additional or free equipment to some buyers if the same incentives aren't available to all dealers and their customers. The bill, currently under review by the House subcommittee on commerce, transportation and tourism, has 186 cosponsors.

"Simply put," says NADA's Turnbull, "H.R. 1415 is an effort to bring basic fairness to the pricing of motor vehicles. It would allow all purchasers to enter the automotive marketplace equally."

Bidwell, former president of Hertz Corp., has worked two of the three sides in this controversy. As an executive at Ford and Chrysler, he has approved incentives for fleet owners as an encouragement to buy. As a fleet owner, he has accepted incentives from automakers. "I haven't been a dealer," he says, "but I feel I have an understanding of where dealers are coming from. Until H.R. 1415 was launched, that is. Now I'm not sure."

During Automotive Executive's recent interview, Bidwell spelled out his arguments against the bill.

Automotive Executive: In early December, you testified at a subcommittee hearing in Jackson, MS, against H.R. 1415. Why do you oppose the bill?

Bidwell: I think it's a solution in search of a problem. I have a lot of sympathy for the dealers' position, but I don't think this is the right way to approach it.

I object first of all, to the premise that fleet and lease subsidies rip off the customer. That is not true. If Chrysler, in particular, began to lose

its fleet volume, prices would go up—not down.

Fleet business helps us cover our fixed costs. A strong fleet program with orders planned in advance keeps plants operating in periods of reduced demand. And fleet programs enable smooth, steady production and delivery to be scheduled at a distinct cost savings.

If incentives were eliminated, fleets would extend the in-service period of their cars. It's estimated that the total U.S. rental fleet is some 500,000 cars, with an average service period of nine months. An extension of this service period for one month would amount to a loss of 50,000 in dusty sales annually.

Automotive Executive: Don't these fleet subsidies have an adverse impact on consumers?

Bidwell: It bothers me that this is being paraded as a consumer issue. Who is the consumer? The consumer rents a car; the consumer leases a car. Take away subsidies, and the cost of leasing and rental goes up.

When I first took this job, I totalled the value of all our consumer incentives, rebates, APR discounts and warranty coverage, and placed that number in the left-hand column; then I added up all of the fleet incentives in the right-hand column, and divided both sides by the number of units sold. The figures are pretty close per unit, let me tell you—pretty close.

In total dollar investment, we spend four times more on the con-

Clark: How does Chrysler's new Office of the Chairman function? Can four high-powered executives share decision making?

Bidwell: I think we're all surprised that it's worked as well as it has. Perhaps one reason it works is that we operate like Lincoln's Cabinet with Lee Iacocca at the top. I haven't seen a 3-to-0 vote overturned yet; but I've seen a 2-to-1 vote overturned. We all know who the

boss is—and he is here, as you know, for at least three more years.

Our team is well-balanced. Gerry Greenwald is an outstanding financial guy. Hal Sperlich is an outstanding product guy. I represent marketing, sales and public affairs.

So we've all got our own turf. In deciding to come with Chrysler, I wanted to be sure the sales and marketing side were represented in the office of the chief executive when the door is closed.

That had not occurred in the past 20 years, to my knowledge, at Ford and General Motors. In all candor, that was one of the reasons I left this town once before.

Automotive Executive: Will this arrangement give Chrysler dealers a better pipeline to decision making?

Bidwell: No question. I may screw it up, but they've got somebody who's

summer side than on the so-called fleet side. People forget that when they talk about fleet subsidies.

Clark: One of the biggest problems is that these subsidies encourage the fleets to enter the used-car business. We see a lot of these cars with 3,000 to 4,000 miles on them being sold three months after the new-car announcements. Is that fair?

Bidwell: No, that is a problem. That's misrepresentation of the purpose for which the vehicle is purchased.

At Hertz, we held on to our cars an average of 12 months. There are some short-term deals where the cars automatically do come back in six months, but very few. Remember that the car-rental company generates 2-percent investment tax credit by holding a car past 12 months.

But there's no doubt they're producing a lot of used cars. Hertz used to say they were the largest manufacturer of used cars in the world.

Clark: That buyer is a prospective new-car buyer, because he ends up making payments within \$20 or \$30 a month of what he could pay a dealer for a new car. If we could keep these companies from selling those cars shortly after the model year or during the model year, that would solve much of the problem.

Bidwell: If that's the core problem, and we need outside help as an industry in resolving it, fine. Let's get it—but not by advertising that the American consumer is being ripped

off \$1,000 a vehicle. Chrysler testified to protect its investment; we capture about 14 to 15 percent of the fleet market in this country, and our total penetration is, at the moment, about 10.3 or so, so I would guess by definition, our retail market share is probably around 9.

But I've got to say two more things for Chrysler. Number one, we've de-escalated our fleet-incentive programs year-to-year, and hope to take it further. Number two, I would be willing to put our track record of

what we've thrown to the retail market versus what we've thrown to the fleet market against anybody in this industry. If a fleet wants 5/50 coverage, for example, they pay \$150 for it.

I'm not sure what the best solution is, but I don't believe it's H.R. 1415. After all we've been through, we need a couple of solid years to get back to full health. Let's do that first—manufacturers and dealers—and then take a cooperative and detailed look at how current car marketing practices might be improved. □



NADA Executive Vice President Frank McCarthy explains the association's support of H.R. 1415 to Bidwell and subcommittee member Howard Nielson (R-UT) at a recent hearing in Jackson, MS.

supposed to be representing them inside—whether it's a decision relating to pricing, distribution or product planning.

Automotive Executive: Did your tenure at Hertz Corp. change your outlook on the automotive industry?

Bidwell: I sure learned the fleet and leasing business. Also, running a company that was self-financing, including its own employee plans, rounded me out as an executive. Most important, however, getting out of Detroit for 87 10-day periods helps clear your head. When you spend all your time in Detroit, you don't think there's much of a world out there. And there sure as hell is—and it tends to look at Detroit a lot differently than Detroit looks at itself. Working at Hertz gave me the perspective of what it's like to be a customer. Chrysler's biggest customer, I might add.

I recommend that every executive who has been in Detroit for 10 years or more take a sabbatical.

Automotive Executive: There's been much talk about Chrysler's ability to design, produce and market new cars over

the next five years. Does the corporation have the resources to do the job?

Bidwell: The timeframe for our spending is '84 through '88. Our programs at the moment, including all productivity and quality expenditures, are in excess of \$8 billion. We're trying to prioritize our plans because we're not the richest guys in town yet.

On the approved list are the new H-bodies this fall—the Chrysler Commander and Dodge Lancer. They'll be built at our new plant in Sterling Heights.

We've got some slick intermediate models coming later. The P-Car program has been heavily publicized but we're being careful about the money we're committing. We also have a new small pickup coming and new, front-wheel-drive replacements for the Fifth Avenue and the New Yorker. I don't want to give precise dates, but these projects will take place during '84 to '88.

So, we do have some important programs planned. Our biggest single problem today, aside from the level of spending itself, is whether to bite the bullet for more capacity on the T-115. Nobody knows. We meet and scratch our heads almost weekly on it, because

it's a huge bill. This is a totally unique vehicle. It requires a completely different plant layout, and we're talking about several hundred million dollars to set up production in another plant or half-plant.

We're confident we can sell the Windsor volume (250,000 a year) but nobody has ever sold this kind of vehicle before. We know it will replace some station wagons and big vans, but we don't know how it will impact four-door sedans. If we could convince ourselves that four-door sedan owners will buy this vehicle, it would be an easier decision.

We're doing research to get a better handle. The facts of life are that next fall GM and soon after than Ford are going to drive in with their own versions. Because they're rear-wheel drive, we think their minivans will be viewed more as trucks. But you've got to convince yourself that it's going to be a very big market for a long time to justify investing a few hundred million dollars in additional production. We have a look at volume in '86, '87 and '88.

That's a tough call right now, but my instincts are that we probably ought to go.

Clark: Can you comment on the recent reorganization of your technical staff? Will this result in greater integration between departments?

Bidwell: It wasn't for cost-saving. It was to strengthen the entire product-development cycle—design, engineering, manufacturing, finance and procurement.

It sets up the opportunity for Chrysler to put together what I would call the program manager concept. At Ford, I handled product planning for the Escort. We operated in a program manager concept in the sense that a piece of that planning and engineering fraternity had that program from beginning to end.

In the past, Chrysler's organizational structure wouldn't permit that. Now, under the program manager concept, if a team is responsible for something in 1988, they see the project all the way through—from cost projections to completion. That's going to make us much more effective at all levels. □



Bidwell says Chrysler plans to spend more than \$8 billion on new products during 1984-88.

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PROGNOSIS: EXCELLENT

BY TED ORME

The RV industry,
once left for dead,
is on the road to recovery.

This isn't a good market," Walt Gildner says matter-of-factly about a recreational vehicle industry that grew nearly 40 percent in 1983. "People think it's a good market because it was so bad before. But I'm telling you we are just on the threshold."

Gildner, executive vice president of Rockwood Inc., Millersburg, IN, is not alone in his assessment of an industry where rampant enthusiasm rules the day.

Compared to a year earlier, deliveries through November 1983 were up nearly 39 percent for multiuse vehicles (vans), 28.2 percent for all towable RVs, and nearly 68 percent for motor homes, according to Recreation Vehicle Industry Association (RVIA) figures. Clearly, there has been a megaboom in RV sales, and it is still snowballing.

Considering this industry was left for dead by many "experts" just a few short years ago, these numbers are remarkable. Dealers and manufacturers alike are talking about record sales for 1984—passing even the high-water marks of the late 1970s. They believe they have the tools to do it. As much as any industry, this one is now lean and efficient. Born of necessity, better manufacturing and management techniques have resulted in a new generation of advanced products designed to meet the challenges of the 1980s. There are still some big ifs, of course—namely, continued gas price and supply stability, a healthy economy, and continued consumer confidence, but not a soul could be found recently who saw any black clouds on the horizon.

So, with the profit beacon flashing, many RV manufacturers are expanding

their dealer base. And, like moths to light, auto dealers are responding. But every green pasture has its weeds, and boom times in the RV industry attract a lot of sideline players who know a good thing when it slaps them in the face. They are quick-turn artists—either dealers or manufacturers—who jump in when times are good and bail out at the first sign of trouble, leaving their customers and partners holding the bag. This time around the watchwords are caution, capital and commitment.

Winnebago founder and chairman John Hansen, who has made and lost several fortunes in the topsy-turvy RV business, puts the manufacturer's position in perspective.

"We undertook a complete overhaul of our product line in 1980. It was a tremendous investment, and now we are on the downhill side of that process. We need only a few more changes to be complete. We simply cannot jeopardize that investment with a dealer who is not as fully committed to the product as we are."

About half of Winnebago's dealers also retail automobiles, and right now they are benefiting handsomely from the improvements the factory

has made across-the-board to its Winnebago and Itasca motor homes. The addition of sophisticated computerized systems and welding robots to Winnebago's massive 2.5-million-square-foot plant in Forest City, IA—the largest motor-home production complex in the world—has resulted in higher quality, lighter and more fuel-efficient products. Hansen is particularly proud of the all-new LeSharo and Phasar models, which feature front-wheel-drive, diesel power and get 22 mpg.

With these new products, Winnebago, like other RV manufacturers, hopes to attract many first-time RV buyers, and it has stepped up its adver-

tising and developed innovative training and merchandising programs for its dealers. The company plans to enlarge its dealer network; new franchises will be offered based on careful market analysis and a thorough investigation of a dealer's business background.

Business at Executive Industries of Anaheim, CA, the nation's best-selling high-line motor home, is "incredible," says Vice President K.L. Toolson, who reported he was sold-out four months ahead. Executive also is planning to add a few more dealers and, though the company has "some very good automotive dealers" selling its luxury motor homes, Toolson is leery of auto dealers

and will stand behind the product. Remember, you are the warranty if that manufacturer goes out of business."

Phil Howard, regional sales manager for Mobil Traveler, a subsidiary of Zimmer Corp., agrees it is important for reputable motor-home makers to avoid fair-weather dealers, but he points out that his company is actively recruiting new high-line automobile dealers to market the sleek new Astron. The Astron is an aerodynamic Class A model which features innovative button-operated pneumatic doors and ultra-luxurious interior appointments. "The Astron is designed to appeal to the Mercedes, Cadillac and Lincoln buyer," Howard explains.

For the motor-home buyer "who has a Chevy and now wants to move up to an Oldsmobile or Buick," Gildner says Rockwood has "an inside track on the medium-priced luxury motor home. You have prospective buyers out there, and they shop and they shop, but there isn't anything to turn them on. Customers want something different, and you better have something to offer them...to move them off dead-center. As the market gets better you are going to have to

have a better product, I don't care what it is—cars, RVs, you name it."

Rockwood manufactures van conversions, camping trailers and motor homes. Although most of its automotive dealers stick to vans, Gildner says, "There is a tremendous opportunity for automotive dealers to get involved with RVs. But they must make the same commitment to this business that they do to the automotive business. You can't just go out anymore and tell the customer 'look, there it is; I'll work out a trade for you.' You have to know what you have and what the competition has. It takes more effort, but there are some excellent profits to be made."



New exterior graphics and interior design features are provided in the 1984 Winnebago LeSharo.

just looking to cash in on a bull market. "This creates a heavy wholesale demand, which allows undercapitalized and less-reputable manufacturers to jump back into the market," he says.

"The manufacturers and dealers who weathered the recession and gas crisis are now much stronger," he explains. "But with business booming, you have a lot of companies coming back in that were bankrupt or on the verge of it before. The same management team simply puts together a new line under another name." His advice to auto dealers interested in picking up a motor-home franchise is "look for someone who has been in business for a while,

Van Conversions: Dealers' Money Market

Getting into RV sales depends on a number of major considerations. But auto dealers who are not selling van conversions are overlooking a profit opportunity tailor-made for them. Vans are an automotive product, sold in the same fashion by the same people, and they do not require a sizeable investment in additional overhead or facilities. Plus, they're hot.

Limited only by the supply of chassis, van conversions should exceed 160,000 units for 1983—up 40 percent from 1982, according to RVIA. Indications are that 1984 will show a 10-to 20-percent additional increase, again based on a chassis supply line running at full capacity.

Like 1979 OPEC oil, the tight supply has kept prices of both new and used vans at a peak. RVIA reports the average van conversion for 1983 sold for \$14,223, with many units running well over \$20,000. Dealer profits on these units commonly run from 15 to 20 percent. If that smells like a lot of money, your nose is still working.

Buyers have responded with gusto to conversion vans for many of the same reasons they have emptied RV lots—an improved economy, lower interest rates, and stable gas prices and supply. Improvements in handling and fuel economy have overcome the gas-guzzling truck image of older vans, and any connections with the psychedelic sin bins of the '70s is about gone. In fact, now that vans have become the darlings of the middle-aged, monied masses, California youth have abandoned them.

That may be remedied shortly, however, with the advent of the minivan. Norm Jacobson, RVIA chairman and president of Contempo Vans, North Hollywood, CA, sees the minivan as the next frontier for converters, the one that brings youth back into the van market.

"We can do everything to the minivan that we do to the full-sized van,

only with two fewer seats," he says. Contempo is looking at four- or five-seat minivans featuring high-tech modular interiors of non-traditional materials like plastic and fiberglass. They will include most current amenities—air conditioning, advanced sound systems and the like, but they will probably carry fewer power options and bells and whistles craved by older buyers of full-sized van conversions. The styling treatment—paint, wheels, trim—will be "very youth-oriented but not loud," says Jacobson. "We should be able to deliver this package for around \$13,000."

"...the van-conversion picture for 1984 is one of growth, prosperity and maturity. If you are not part of this picture, you should be."

This is for the California market. For the urban Northeast, where conversion sales have been soft due to the difficulty of navigating and parking full-sized vans on city streets and in garages, Jacobson predicts a new demand for toned-down minivan conversions. "This is the dark horse market for 1984," he says.

"The van conversion industry will have to become more sophisticated, more aware of style and taste trends in the market for all goods," Jacobson explains. "We can't go off and build wild ass ideas, because the market isn't going to take it anymore. Times have changed."

Van converters have already awakened to that fact and are moving away from the panelled-den in-

teriors of a few years ago to a more automotive look. New conversions feature fabric walls, full headliners and increased use of molded plastics. "We are now working closely with materials manufacturers that wouldn't even talk to our industry a few years ago," says Jacobson. "Now they build products strictly for us."

Quality and value are the themes for 1984. The buyer of a less expensive conversion sees its purchase as a practical alternative to a higher-priced, downsized sedan or station wagon, while the high-line van buyer wants ultra comfort and luxury in a personal vehicle. Both demand quality and value. And that is why it is so important for dealers to select very carefully from the multitudes of van converters. You must make sure that product, company and warranty are sound, so the money you make on the front end is not lost on the back end.

It is also critically important, Jacobson points out, to make sure the conversion company has complied with all federal safety standards. If it has not, and the van is involved in a safety-related accident, the dealer is liable as well as the converter.

"The biggest change you are going to see this model year is the new RVIA safety plan," notes Jacobson. "RVIA will be conducting training sessions for all member manufacturers to make sure they are fully aware of all applicable safety standards for vans. Manufacturers who have completed this training and inspected their vehicles to make sure they comply will be awarded RVIA seals which they can display on their vehicles. In addition, we will be conducting an extensive campaign to educate dealers about van safety."

All in all, the van-conversion picture for 1984 is one of growth, prosperity and maturity. If you're not part of this picture, you should be. □

Gildner says Rockwood is looking for car and truck dealers with "a good location, separate facilities for RVs, and a staff with marketing finesse. The person in charge of the operation should have a solid RV background."

Using the same "good, better, best" approach that has been so successful in its line of vans, RVC Inc., of Goshen, IN, is aiming specifically at auto dealers to market its new mini-motor-home models. "We are not really a recreational vehicle company," says RVC President Rudy Cherniak. "We build automotive products, and we feel automotive people can best sell our products."

Cherniak points out that "automotive

people are always leery of service and repairs to RV systems, so we have standardized these systems—generators, water heaters, plumbing, wiring, etc.—throughout our motor homes to make service and repairs consistent and, therefore, easier."

"We are not really selling you just products," adds RVC Sales Manager Gil Lacrosse. "We are selling profit opportunity." Lacrosse says an initial dealer investment of \$160,000 can reap gross profits of \$288,000 with only four turns a year if dealers "follow our program step-by-step." That program includes training at the RVC plant for the dealer's sales and service staff. In addition, the

dealer is assigned an RVC account manager who monitors the progress of the program to ensure the dealer stays on target.

RVC is looking for well-financed domestic make dealers with sound reputations for service. RV experience is helpful, but not a prerequisite. "As a matter of fact," Lacrosse points out, "in some cases it may be better if they do not have experience, because they won't have a lot of preconceived ideas on how it ought to be done."

For dealers who may not be ready to commit large amounts of money or separate facilities to motor-home sales, there are also numerous smaller, less expensive camping trailers and truck campers which can be marketed as after-sale items.

Warren Daoust, distributor for Scamp Trailers, Backus, MN, notes that in the three months since the company announced it was going dealer direct with its lightweight fiberglass camping trailers and fifth-wheel camper, it had received 680 inquiries, 50 of them from auto dealers. "We also have two import distributors who want to use them to increase the sales of small cars and trucks because they know you can't pull anything else with them," says Daoust.

It is obvious from conversations with many RV manufacturers that there are excellent opportunities available to auto dealers at many different levels. Many RV manufacturers are anxious to tap the resources and business acumen of the professional auto retailer, but they are only interested in dealers who are dead serious about operating an RV business as a true profit center, not as a sideline or a place to hide the slow son or in-law.

As Jim Summers, RVIA executive vice president puts it, "If you are not willing to make a full commitment to the RV business, then stay the hell out of it. RVs are different than automobiles. They don't turn as quickly. They are not an impulse buy. They are a planned lifestyle purchase that requires a very different kind of sales technique and product knowledge, and the biggest danger is thinking you can market RVs with automotive-oriented people."

But for dealers ready to make that commitment to the blossoming RV market, Summers says the profit opportunity is "unlimited." □

Ted Orme is contributing features writer for Automotive Executive magazine.

Assessing the RV Future

Shifting social values are among the key reasons for the current success of the recreation vehicle industry, according to a new report by the marketing research firm of Yankelovich, Skelly and White.

The report, "The RV Market: A Social Values-Based Assessment," says "a move to a more strategic, less impulse-oriented, more mature values system" among today's Americans has contributed to the resurgence of the RV market.

"The baby boom generation, now approaching the age when they are most likely to buy an RV, grew up with the leisure ethic, and still believe in it. They are more willing to spend money for a product that will, over time, give them value, options and a variety of leisure experiences," the report states.

"This trend is favorable to the recreation vehicle, with its flexibility, many uses, and perceived value for the dollar."

Yankelovich, Skelly and White also point to a number of other shifting social values which are likely to impact favorably on the RV industry's future. Among them are:

- **Renewed emphasis on family togetherness.** "Americans have begun to recognize some of the penalties of the focus-on-self—personal isolation, divorce, low productivity, fewer close relationships. Consequently, consumers are increasingly interested in family out-

ings and vacations and less interested in novel, exotic and experiential vacation activities. The RV gives more of a sense of family adventure than a car trip to an ordinary hotel."

- **Renewed emphasis on self-reliance.** "The recreation vehicle allows consumers a measure of self-reliance. They can travel and vacation on their own in the country—without the knowledge of camping required of a backpacker."

- **A growing sense of regionalism.** "Consumers want to be part of something greater than themselves; some are responding to this need by growing increasingly interested in the community and region in which they live. As consumers learn more about their areas, they are likely to want to travel locally. Such travel, within driving distance, favors RVs."

From the RV industry's point of view, the most encouraging part of the report is that Yankelovich, Skelly and White say these social values will last.

"Since we believe the shifts are deep and enduring, the positive effects accruing to the RV market from social values are likely to be long-lived," the report states.

Copies of the report are available from the Recreation Vehicle Industry Association (RVIA). To receive a copy, send \$5.75 to RVIA Publications, Dept. Y, P.O. Box 204, Chantilly, VA 22021. □

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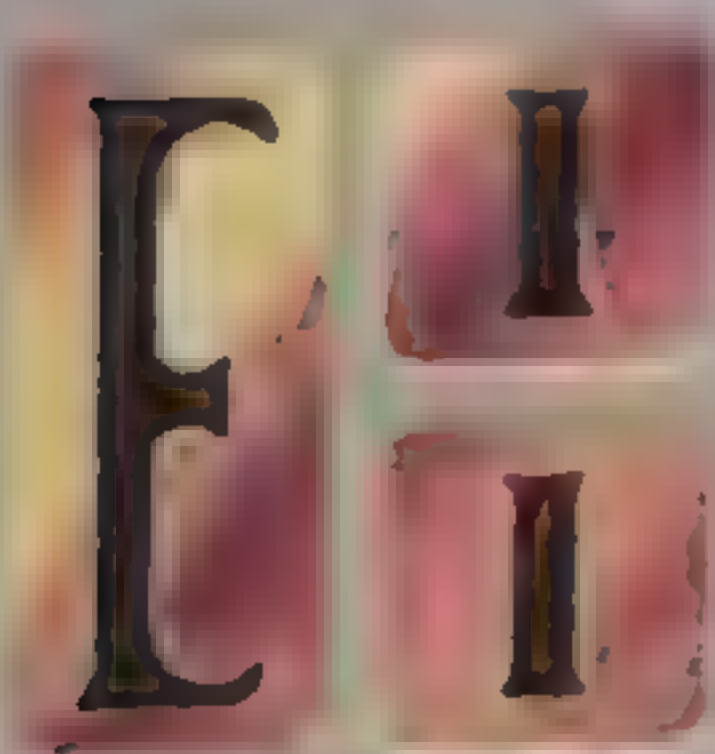
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Like the 1860s settler who foresaw a great city arising from Indian ruins in Arizona, many trucking analysts predict rebirth in the industry. The settler named the Arizona city after the mythic Egyptian bird—the Phoenix—which was said to rise from its own ashes every 500 years. Truck dealers have survived their own trial by fire these past few years and in recent months sales have climbed steadily.

When truck dealers gather in Phoenix next month for the 21st annual ATD convention, they'll see that the 1860s settler was right. Phoenix has grown on the banks of the Salt River (inhabited by Hohokam Indians until the 15th century) to become the ninth largest city in the U.S., with a population of about 800,000.

Dealer Interaction

The convention theme is "Positive Strategies for Managing the Recovery." TRX-'84 will give truck dealers a chance to plug into what is going on with their fellow dealers and the rest of the truck industry. The agenda includes outstanding speakers, make meetings, workshops and an impressive equipment exposition.

Time for Recovery

It all begins Saturday, April 7, with a ribbon-cutting ceremony at the Phoenix Civic Plaza. Doing the honors will be NADA President James P. Jennings, ATD Chairman Art Irwin, and ATD Convention Chairman Art Gunderson.

F. James McDonald, president and chief operating officer of General Motors Corp., will address the convention's opening general session Saturday afternoon, and former Wisconsin governor Lee Sherman Dreyfus will lead the

Sunday morning inspirational service. Other speakers during the four-day meeting include Rep. Gene Taylor (R-MO), who introduced anti-fleet subsidy bill H.R. 1415; Ford Truck Operations Vice President Edson Williams; and the National Football League's MVP Joe Theismann, the Washington Redskins' quarterback.

Perhaps the most important component of TRX-'84 is the dealer interaction during 12 separate make meetings. There, dealers will have the opportunity to meet and talk with their individual ATD line representatives, national dealer council representatives and manufacturers' representatives.

Professional Development

ATD has expanded its popular workshop program this year. Scheduled workshops and leaders include:

- "Employee Motivation," Bob Moawad, president of the Edge Learning Institute in Tempe, AZ
- "Success, Not Stress," Dr. D. W. Holbrook, Homestudy Institute in Washington, DC
- "Communication Skills," Bill Kessler, Vernine & Associates in Knoxville, TN

by David S. Meyer

- "Asset Management," Jeff Sacks, a private consultant from Escondido, CA

- "Sales and Service Merchandising Ideas for Truck Dealers," NADA consultant

- "The Case for Purchase vs. Lease," Don Ahnger, Midway Ford Truck Center in Kansas City, MO, and Gus Gapinske, Northern National Lease in Rockford, IL, who will debate the issue.

- "Blueprint for Profit," NADA consultant

- Special Tuesday afternoon panel discussion on "The Future of the Truck Dealer" with Bob Leutscher of *Go West* magazine, Benjamin Mercer of International Harvester Corp., ATD Director Dave Paxson, and incoming ATD Chairman Arnold Lessing.

Dealers and managers will be able to get continuing education credits, and may even qualify for an educational tax deduction, through the workshop program. Continuing education units (CEUs) can be earned through 10 hours of participation in organized learning programs. Northwood Institute will con-

vert CEUs to college credits for degree programs, but participants must attend at least four workshops to receive any partial CEU credit. Registrants also must attend a minimum of four work-

"The agenda includes outstanding speakers, make meetings, workshops and an impressive equipment exposition."

shops to get certification for education tax deductions.

The Social Scene

ATD has also put together a spouse program. Among the highlights are the Sunday luncheon and fashion show featuring the influence of traditional Indian clothing on modern styles; an all-day shopping shuttle on Monday starting at the Hyatt Hotel and stopping at

Scottsdale's Fifth Avenue, the Bortaga and Biltmore Fashion Park; and a demonstration of Southwestern crafts on Tuesday morning at the Phoenix Hilton.

On Tuesday evening, after the convention work is done, all convention participants are invited to a casual evening at Rawhide, an Old West town. Attendees will go on a hay ride to a steak barbecue and sample the flavor of the Old West.

ATD expects close to 1,000 participants at the 21st annual convention. All will enjoy Phoenix's dry, comfortable climate and picturesque landscape, museums and desert botanical garden. The city, sitting in the Valley of the Sun beneath Camelback Mountain, has an average April temperature range of 52 to 84 degrees and only seven inches of rain each year. Good weather for golfing, tennis and horseback riding.

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David Meyer is NADA's newsletter editor.

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GM's Reorganization: How It Will Affect Dealers

A media blitz surrounded General Motors' reorganization announcement. Many accounts included misguided predictions which only confused the facts. Immediately after informing employees of the changes, GM gave its dealers the facts directly. But for thousands of others—dealers, distributors, manufacturers and suppliers—speculation about the future of the giant corporation became a full-time hobby.

To learn how the largest reorganization in GM's 75-year history will affect product mix and dealer body, Automotive Executive conducted an exclusive interview with F. James McDonald, GM's president and chief operating officer.

This will be a real advantage to dealers," McDonald says. "When everything is fine-tuned, we will respond more quickly with higher quality cars. I think we'll take a year off the time required to bring a new model to market. And dealers will see more product differentiation."

McDonald says the realignment of GM into two groups—the Chevrolet-Pontiac-GM of Canada Group and the Buick-Cadillac-Oldsmobile Group—gives each division more product-design input. The first group, under the direction of Lloyd Reuss, will concentrate its design and manufacturing efforts on small cars. Besides ongoing product programs, its interests include the Saturn project—a "no-year" development program for a new family of U.S.-built subcompact cars—and the joint venture with Toyota. The other group, headed by Bob Stempel, will focus its design and manufacturing efforts on full-sized cars. Reuss and Stempel are GM vice

by Gary James

**Bob
Stempel**
Buick
Cadillac
Oldsmobile
Group



"The group headed by Bob Stempel will focus its design and manufacturing efforts on full-sized cars. Each group is responsible for product quality and profitability, from design and engineering to manufacturing and assembly."

presidents and group executives.

The two groups will function as self-contained businesses within GM. Each is responsible for product quality and profitability, from design and engineering to manufacturing and assembly. The five car divisions retain sales, marketing and advertising, as well as product planning and a small technical group. Any plants they run will be taken over by the groups to which they have been assigned.

Initial press reports led to speculation that GM intended to segment its divisions into small- and large-car lines, but McDonald calls such fears unfounded. "We're not depriving dealers of any models they currently have," he says. "New-product programs are in the works for '85, '86 and '87, and all will continue as planned. Nothing we are doing would take a Chevrolet dealer out of full-sized cars, or a Buick dealer out of subcompacts."

McDonald says GM's product mix will change only if there's a major market shift. "But that's nothing new. We constantly adjust to demand."

Reorganization enables GM to arrange its engineering talent into small- and big-car teams. Currently, each division has a complete staff of designers and engineers. So do Fisher Body and General Motors Assembly Division (GMAD). In the new GM, most of the divisions' technical staffs will be integrated with either the Reuss or Stempel group. Fisher Body and GMAD also will be absorbed eventually, giving the new group leaders direct control over all engineering and assembly.

Under the old system, Chevrolet had a hand in the design and production of each car it sold—from Chevettes to Caprices. This was true for Buick and all other divisions, too. Loaded with duplication, this led to slow product

launches and model blurring, McDonald says.

Under the new system, each new body platform will be assigned to a design/engineering team at one of the two groups. That team will see the car through from start to finish, in all configurations. If a division outside the group wants a version, it will work with the design/engineering team to manufacture the car to its specifications. A new full-sized model, for example, would probably be built for Chevy and Pontiac by Stempel's group.

To interface with the design/engineering teams, each division will have a planning staff. Through that staff, the divisions will provide input into the design process. "They'll pass on their ideas about the features they need to meet their market, and the design/engineering group will decide how to execute them," McDonald says.

"This will greatly reduce the number of steps we take to build a car," he adds, "and make us more cost-competitive."

Another goal McDonald expects the reorganization to achieve is clearer model differentiation. Over the last decade, GM has been criticized for producing families of look-alike cars. The public's awareness of these similarities has hurt sales.

Assigning platforms to specific teams should improve that situation, McDonald says. "Because our engineers have fewer units to handle, they can concentrate on creating differences within that one platform. The marketing staff back at the car division also will work closely with them to shape that car individually."

McDonald hopes the new structure will encourage division personnel to come up with innovative product ideas, along the lines of the new Pontiac Fiero. "If any division comes up with a super idea, we'll make sure they reap the rewards for a few years before sharing it with others."

According to McDonald, GM plans no changes in its dealer body as a result of the reorganization. Dualing policy remains the same. "Our dealer body is the best in the world," he says. "Right from the start we said we wouldn't do anything in this reorganization to disrupt that network—or to change the role of our nameplates. Both are real strengths."

GM is conducting a study of its distribution system, McDonald says, but it's unrelated to the reorganization. "We're always trying to improve our market coverage," he says. "As downtown land values escalate, it gets harder for dealers to stay in metro areas. That's a problem we need to solve. But we plan no immediate changes with respect to dualing."

GM's zone structure also remains the same. Zone offices continue to be organized by car divisions, with separate sales, marketing and service arms. Zone managers report to the division general sales manager. The relationship between dealers and their divisions "doesn't change one iota," McDonald says.

According to McDonald, GM will continue to work closely with dealers to improve customer satisfaction. Nearly five years ago, GM began sending questionnaires to customers asking their evaluation of sales, delivery and warranty-service experience with their selling dealer. This program has increased to the point where GM currently sends more than 100,000 questionnaires each month to its customers. About 5,000 dealers—representing 80 percent of GM's retail sales—are covered by these surveys.

"By quantifying responses," McDonald says, "we can track each dealer's rate of customer satisfaction and pinpoint problem areas. We need to be very conscious of customer-satisfaction problems in the field today. And in the plant. The process starts with the qual-

ity we build into the car and flows into the service the customer receives from the dealer."

The biggest challenge dealers face today, McDonald says, is professionalizing their sales forces. "How do your salespeople treat customers when they come in the door? Too many salespeople prequalify customers right away. They need to be more knowledgeable about our products. Not just sell—but fit—customers to their needs."

The two men charged with the responsibility for improving GM's performance in the '80s and beyond are Bob Stempel and Lloyd Reuss, the new group executives. Why were they chosen? "For their outstanding talents, proven track records and ability to create opportunities," McDonald says. "Either one could run either group."

Reuss, former general manager of Buick Motor Division, and Stempel, former general manager at Chevrolet, are engineers with detailed knowledge of auto design and manufacturing.

By moving Reuss to small cars and Stempel to large, McDonald says GM avoids possible cries of favoritism from group members. "If we moved Reuss up to head the Buick-Cadillac-Olds Group, the Cadillac staff might think Buick is going to get all the best opportunities. The same could be said for Chevy if Stempel took over. So we started them both with clean slates."

Stempel and Reuss took office January 1. They report to Alexander Cunningham, who was elected executive vice president in charge of North American Passenger Car Operations, a new position. Three new division general managers also were named: Robert Burger at Chevrolet; John Grettenberger at Cadillac; and Don Hackworth at Buick. John Smith Jr. was appointed general manager of GM of Canada. These division managers—all GM vice



Lloyd Reuss
Chevrolet
Pontiac
GM of
Canada
Group

"The group headed by Lloyd Reuss will concentrate its design and manufacturing efforts on small cars. Besides ongoing product programs, its interests include the Saturn project and the joint venture with Toyota."

F. James McDonald
GM
President
and Chief
Operating
Officer



"We're not depriving dealers of any models they currently have... Nothing we are doing would take a Chevrolet dealer out of full-sized cars, or a Buick dealer out of subcompacts."

presidents—report to their respective group heads.

During the transition, Fisher Body and GMAD continue to report to the executive in charge of the Body and Assembly Group. Charles Katko, a GM vice president, succeeds Cunningham in that position.

Implementation of the new organization has begun. Though nobody at GM will predict how long the process will take, analysts say three to five years is realistic. Stempel, Reuss and the assistants they name are the ones who "will put this thing together," McDonald says. "We've pointed out where we want to go, but they'll decide how to get there. They'll take the process step-by-step, because we don't want to harm any new-product programs underway."

Among the decisions to be made are which platforms to assign to which group. McDonald declines to use the terms "small-car group" or "large-car group," but admits that's how projects will be designated. "There are definite distinctions between small and large cars, especially in drive-trains and body design. It only makes sense to concentrate our talents on those differences."

Part of the reason for the reorganization, McDonald says, is to beef up the sales of its lower-priced lines. Chevrolet's share of the total car market dropped from 20.8 percent in 1978 to 14.8 percent last year. Pontiac, which held 7.9 percent of the market in 1978, dropped to 6 percent in '83. "We hope to enhance our opportunities with the under-35 age group," says McDonald. "Chevy and Pontiac are going to be aimed more directly at the entry-level buyer."

The new organization grew out of a detailed study by a special task force formed in September 1982 at the direction of GM's executive committee. To carry out the study, GM formed a small team of experienced GM

staffers, assisted by outside consultants. The team interviewed more than 500 employees about how to improve operations.

"How can we build our cars better? Faster? At less cost? These are the questions we asked," McDonald says. "The ideas which are being implemented came directly from the operating people in the corporation."

GM's new structure is patterned after its Worldwide Truck & Bus Group, formed in 1981. According to McDonald, lessons learned during that changeover should prove helpful. "Some traumatic things happened," he says. "When we moved light-duty trucks away from Chevrolet engineering and into the truck group, we didn't take into consideration some of the special equipment the Chevy plant had on hand that wasn't available at the new location. It took time to get the facilities up to speed."

"Only a year ago did we put the Truck & Bus Group together the way we wanted. But it's going to work great. The benefits will show up in the products we'll introduce after 1986. The fact that we just went through this can't help but expedite the new changeover in cars."

"We are determined to become less bureaucratic and more teamwork-oriented. We want to get the decisions down to the guys who are doing the work."

At the same time, McDonald says the reorganization should create a stronger spirit of competition. "Having come up through Pontiac and Chevrolet, I appreciate the rivalry that exists between divisions. We want to keep that going. The recent tough times taught us we have to get our entire organization competitive in costs and quality. When someone offshore challenges us, that's the best motivation in the world." □

Gary James is the senior editor of Automotive Executive magazine.

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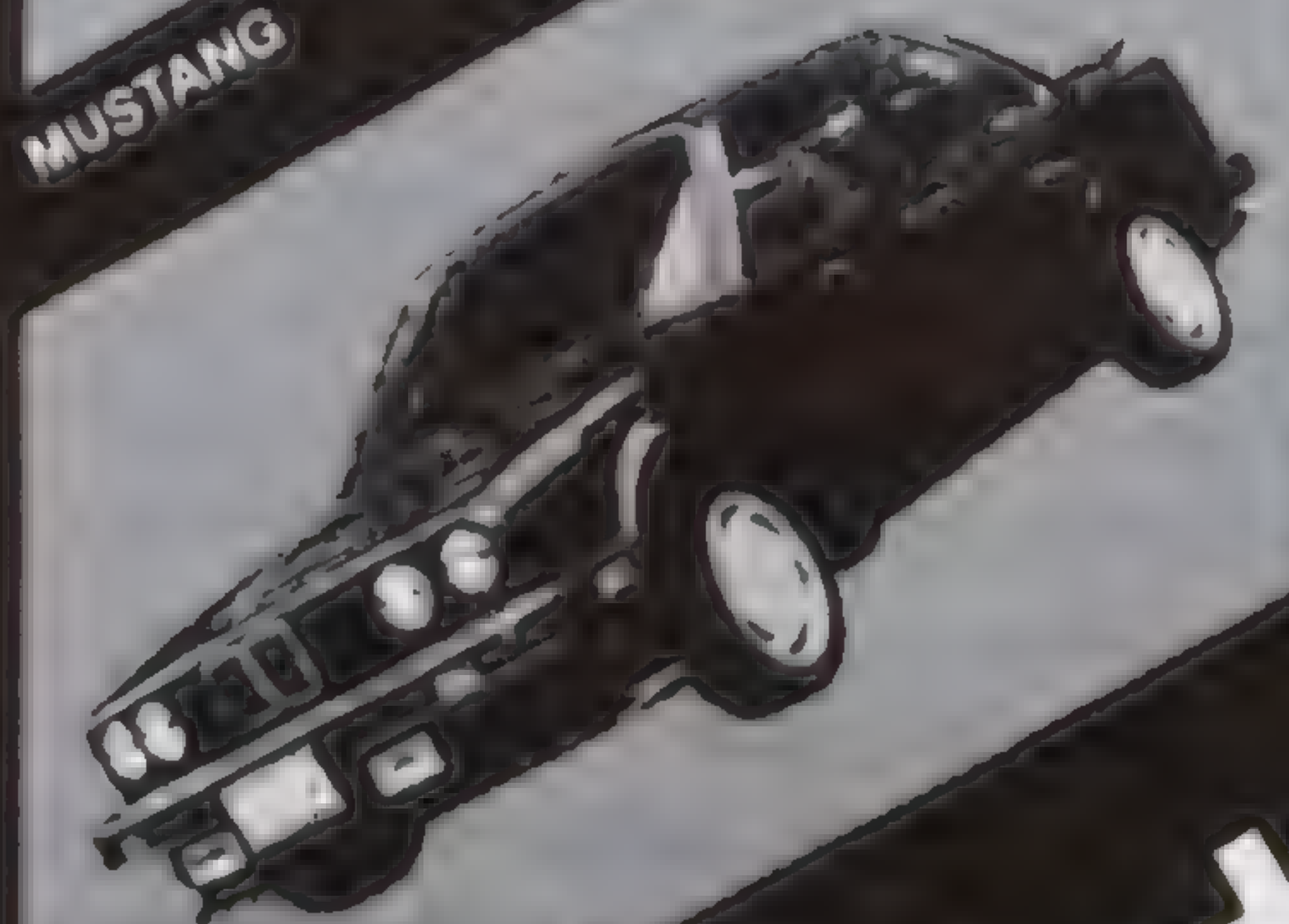
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Legal Briefs

General Release Bars Dealer from Filing Suit

A general release of claims executed by a Missouri car dealer automatically prevented the dealer from filing suit against the manufacturer for an alleged violation of the federal dealer day-in-court law in federal district court in Kansas City, MO (*Grand Motors Inc. v. Ford Motor Co.* [No. 80-0587-CV-W-O]; *Ford Motor Credit Co. v. Grand Motors Inc.* et al. [No. 81-0560-CV-W-O] U.S. Dist. Ct., W. Dist. of MO, filed 12/21/82).

The dealer executed a sales and service agreement with Ford in September 1977 and a financing agreement with Ford Motor Credit Co. (FMCC) in October 1977.

After experiencing financial difficulty in 1979, the dealer submitted a letter of resignation to Ford. At that time, the dealer asked that Ford permit them to return unused inventory in return for credit against their financing agreements. Ford in turn required the dealer to sign a general release before taking back any inventory. The dealer then executed the general release which discharged Ford from any claims or demands whatsoever.

After the inventory was returned and remaining assets were liquidated, the dealer filed a complaint against Ford alleging that their dealership was unprofitable because Ford had failed to provide adequate support and guidance as understood by the terms of the sales and service agreement.

Ford Motor Credit then filed against the dealer for unpaid balances due under financing and loan agreements, and a counterclaim was filed by the dealer alleging that FMCC was an agent of Ford and was, therefore, liable for the wrongful acts committed by Ford. The court ordered that the motion by Ford for summary judgment be granted; however, the motion by FMCC for summary judgment in its favor on the counterclaim was denied. ■

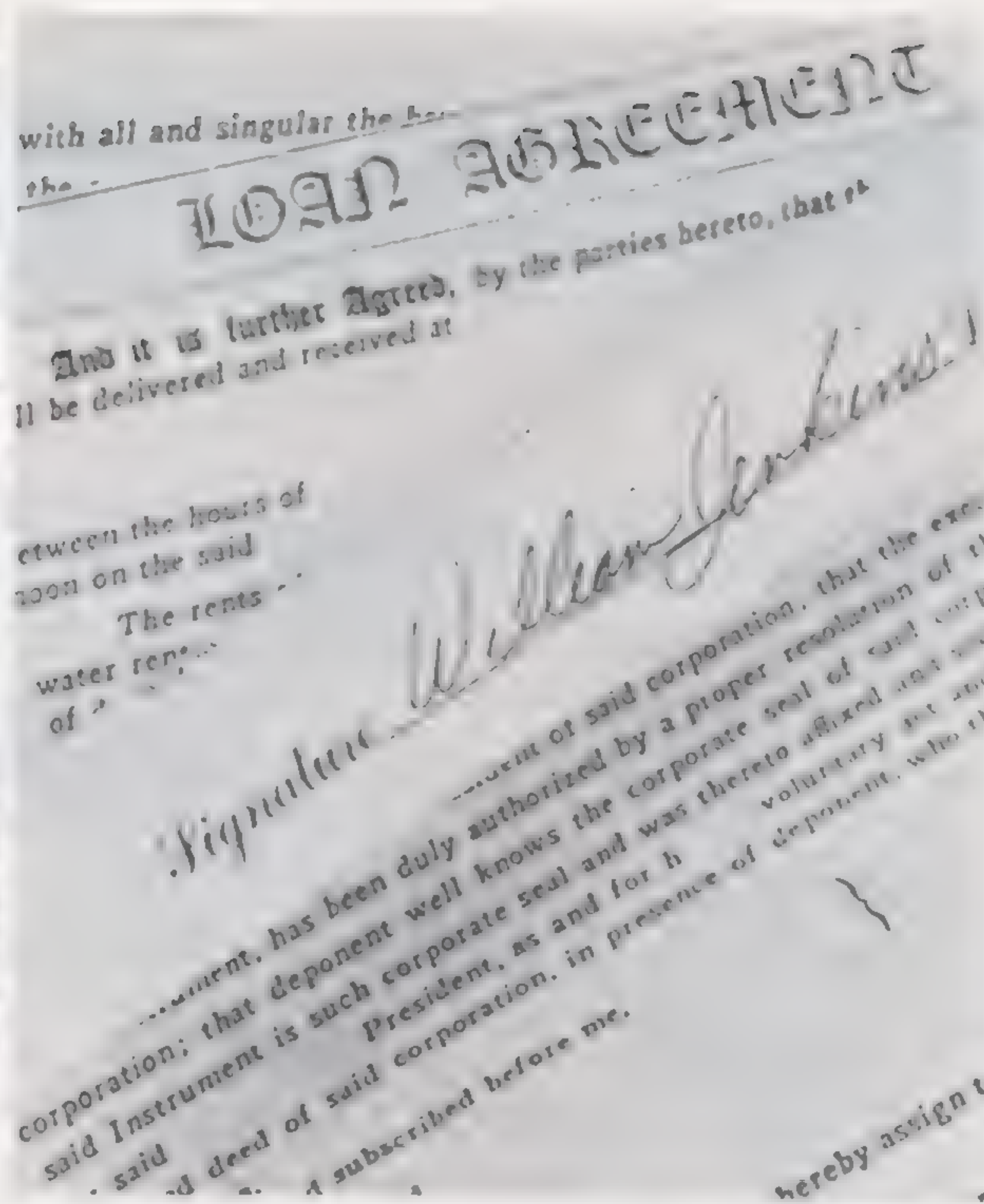
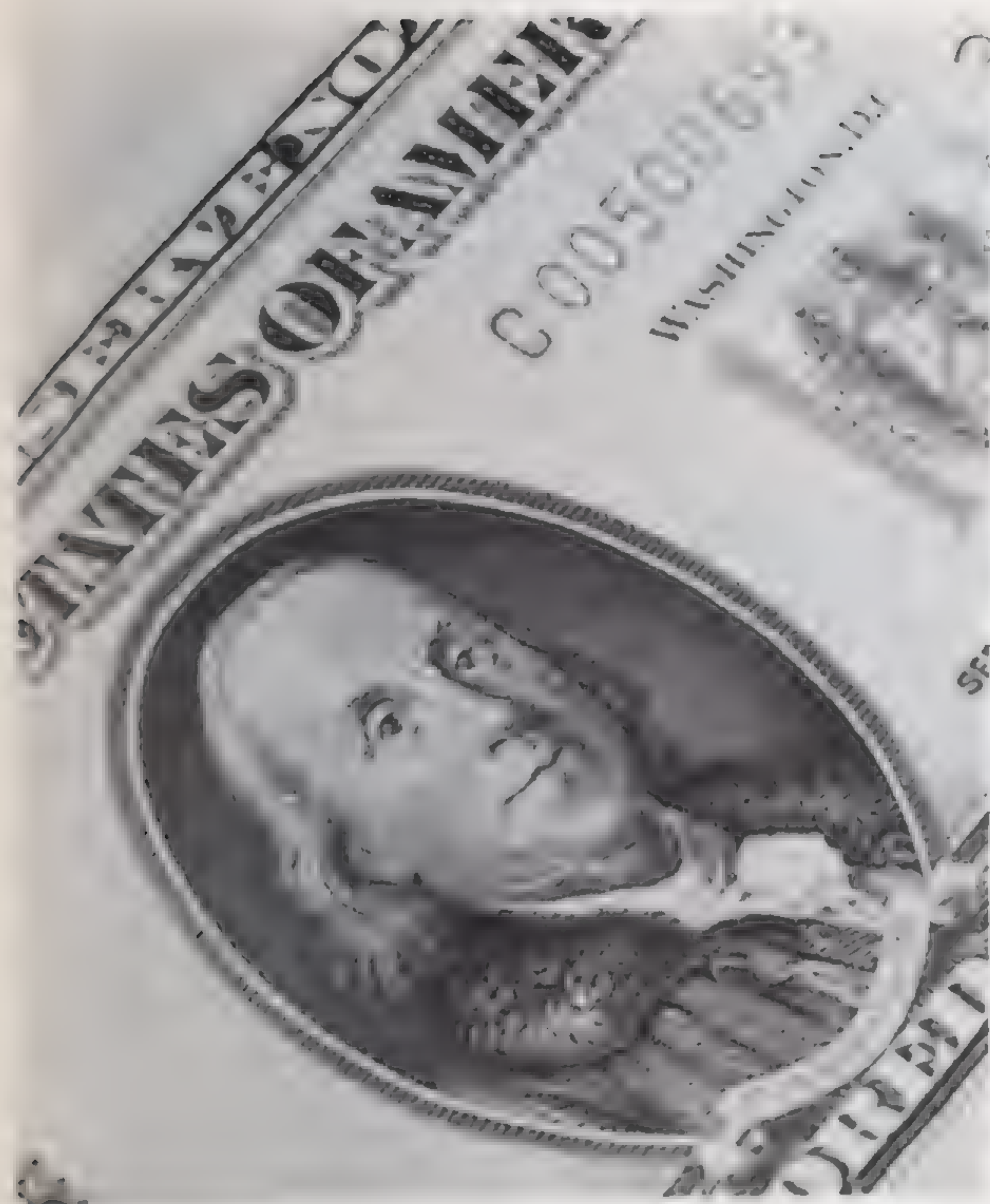
Peugeot Supplier Lacks Antitrust Standing To Oppose Distributor's Conduct

The domestic supplier of Peugeot automobiles may not sue its southeastern distributor for alleged antitrust violations because the supplier did not suffer any antitrust injury or otherwise have standing to bring suit. In the original action by Eastern Auto Distributors Inc. (EAD), it was charged that Peugeot Motors of America Inc. (PMA) conspired with its parent company, Automobiles Peugeot S.A., in violation of contract rights, the antitrust laws and the Dealer Day In Court Act. In its counterclaim, PMA charged EAD with illegally tying the sale of Peugeot and Renault automobiles and with denying Peugeot franchises. Also included in the counterclaim was a charge that EAD had breached its contract to use its best efforts to provide a distribution network (*Eastern Auto Distributors Inc. v. Peugeot Motors of America Inc.*, No. 81-733-N, E.D. Va., 10/17/83).

A U.S. District Court allowed the contract claim to continue, but dismissed the other claims on the grounds that the supplier lacked standing under the antitrust laws and the Dealer Day In Court Act. In explaining its ruling, the court holds that those directly harmed by the actions of EAD were retail dealers and purchasers, and that they would be the proper persons to bring the action alleging the antitrust and Dealer Act violations.

This case will now proceed and include the contract claim in PMA's counterclaim. □

This column is prepared by the Legal Group of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Drive, McLean, VA 22102-3591.



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Magic Deck of Cards

Let me tell you about my magic deck of cards. I don't mean the kind that people play bridge, pinochle or poker with. Those kind of cards can sometimes get a player into trouble.

I don't mean the kind with which magicians do tricks and prove the hand is quicker than the eye.

I'm talking about cards that never get you into trouble but help you to succeed, that don't take a magician to make them pay off.

My cards were all three-by-five. I kept them in a desk-top file box. The box was divided in two, with one half for prospects and the other half for owners.

Those cards worked magic for me.

I've written in these columns about prospecting, about making cold calls, about advertising yourself, about going after referrals—in short, doing everything you can to seek out prospects you can turn into loyal customers.

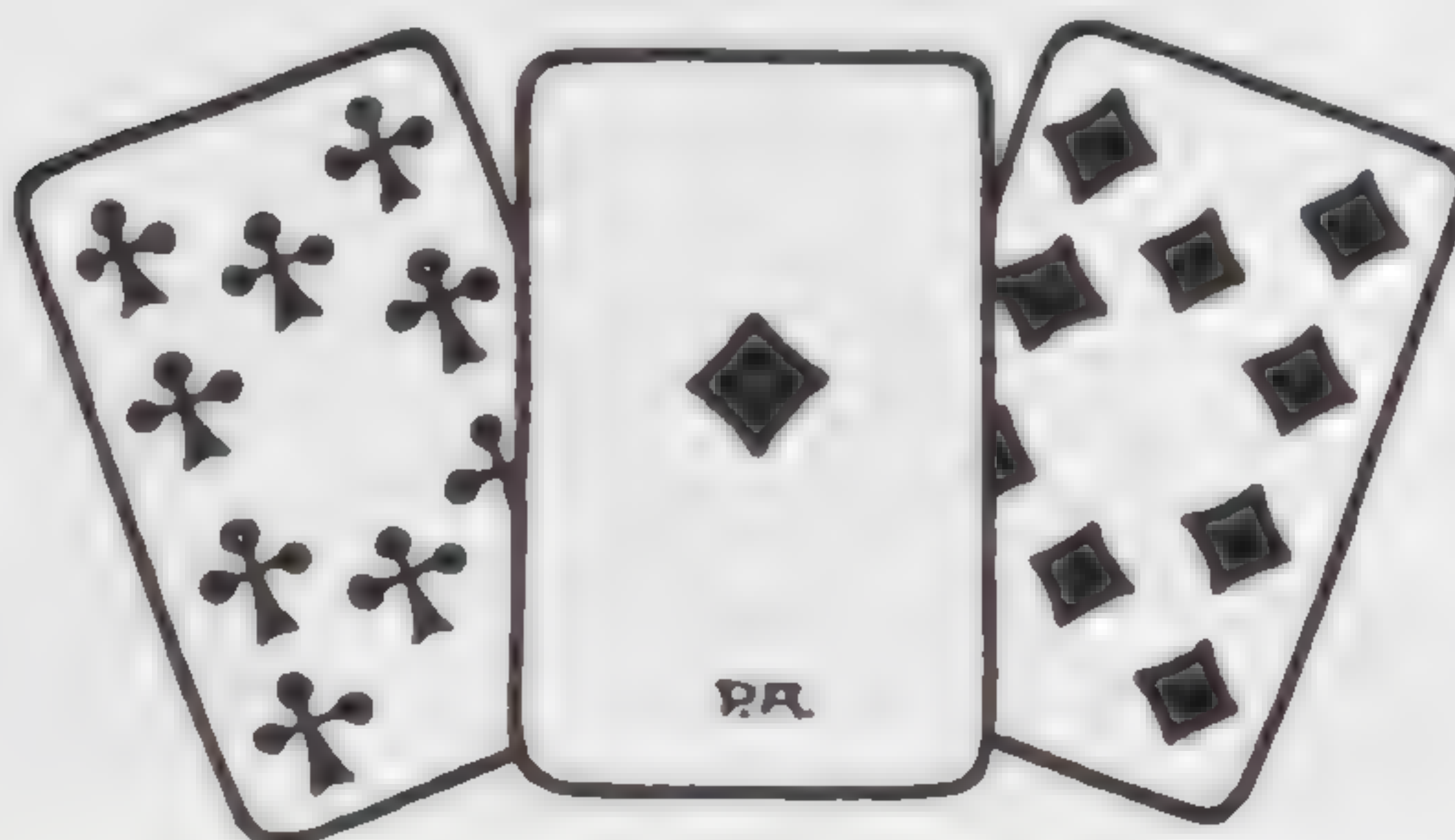
But you need a system to organize those efforts, to put what you need to know at your fingertips, to be able to retrieve that knowledge quickly.

The system doesn't have to be elaborate; you don't need a personal computer to handle it (although that day may come sometime in the near future). Simplicity is the key word here. What you're after, and what I found so useful, so magical in its results, is the simple organization of detailed information that's easy to use. Today, some salespeople call prospecting *sourcing*, but I prefer the old-fashioned word.

A lot has been written about prospect files and how to use them. Types of files differ. Some salespeople use journals, log books or loose-leaf notebooks; some even use photographs.

My system was easy to use. I always used the face of a prospect's 3x5 file card for information that I considered essential. I labeled the face of the card "Need to Know." The reverse side of the card I labeled "Nice to Know."

Under "Need to Know" I entered the prospect's name, address, phone numbers; place of employment; make,



model and age of current car and second car, if any; options and accessories, if any (such as air conditioning or special interior comfort-and-convenience packages); and how the vehicle was used as well as the principal driver. Here were the important facts about the prospect, clues as to his or her needs and preferences and length of time the vehicle(s) has been kept.

Under the heading "Nice to Know," I listed such things as the names of the prospect's spouse and children, the children's ages, the prospect's birthday, hobbies and interests or any other information that humanized the prospect beyond just a vehicle owner.

Admittedly, it's easier to get information for the cards in the owner section of your files; you should be in touch with your owners as part of your regular follow-up activities. Each follow-up is an opportunity to update your files.

It's not as easy to get detailed information about prospects. But if you keep at it, you can do it. Here's an example of how I did it. It developed from a call I made to tell a customer that his new car was ready to be picked up. As luck would have it, I mis-dialed and got a wrong number, only I didn't know it at first. A woman answered. "Hello, Mrs. Johnson," I said, "I'm calling to tell you that your new car is in and waiting for you."

She was puzzled. "I'm sorry, we didn't order a new car. You must have the wrong number."

"Is this George Johnson's residence?"

"No."

My philosophy is that somebody on the other end of the telephone—any-

body—is a prospect. So I kept her on the phone. I asked a long-shot question. What did I have to lose? "I'm sorry to have disturbed you. By any chance would you be in the market for a new car?" If she knows the family is, she'll probably say "yes," but the typical answer is usually, "I don't know, you'll have to ask Mr. Carter." (If I had asked her to tell me her name she probably would have refused.)

"When can I reach him?" She told me he didn't get home from the supermarket where he worked until 8:30 p.m. Guess who I called at nine? "Hello, Mr. Carter? I spoke to your wife this morning and she suggested I call back at this time. I was wondering if you might be in the market for a new car?"

"No, not just yet." To my question "When?" he replied, "In three to six months." He probably meant it, too, I figured, because it's easier to say so than to dream up a lie. "Fine," I told him, "I'll get in touch with you then." With no immediate pressure on him, Mr. Carter didn't hesitate to give me his address, information about the car he was now driving, the fact that he had several kids (a reason for his station wagon), and the need to hang up because he was helping his oldest boy build a model plane, one of those miniature engine, remote-controlled jobs.

Priceless information from a few minutes on the phone that grew out of a wrong number—"Need to Know" and "Nice to Know" information to be entered on a 3x5 in the prospect section of my file box. I called Carter back three months after that call, called him again two weeks later, and then sold him. On that call-back I didn't pressure him to buy. Instead, I asked him how his boy's model plane was performing. Information like that, used properly, is the magic part of my deck of cards. □

This column is prepared exclusively for **Automotive Executive** by Joe Girard, named the World's Greatest Salesman 12 times by the Guinness Book of World Records. All questions or comments pertaining to this column should be mailed to: **Selling Yourself, Automotive Executive**, 8400 Westpark Drive, McLean, VA 22102-3593.

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The Allure of Precious Metals

Precious metals, the passion of many a king, conqueror, explorer, prospector and banker, occupy a most romantic niche in world history.

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The market for many of these investments, though growing quickly, is still in its infancy. The upsurge in demand can be traced to 1975, the first time since 1933 that Americans could own gold without restriction. Recent market studies show that by 1990, one out of every 10 Americans will own precious metals, compared with just 3 percent in 1980. And, as prices for most metals—particularly gold—sit well below all-time highs, many dealers report brisk sales.

Advantages of Gold

As a store of wealth, as a hedge against inflation, as insurance in times of grave financial uncertainty, few investments can equal gold—and to a lesser extent platinum and silver.

For the short-run, precious-metals investors can expect a bumpy ride. Although gold prices have recently remained fairly flat, it's not unusual for the per ounce price to rise or fall \$100 in a few months' time.

This fluctuation is due mostly to market reactions to a changing mix of economic and political factors. Inflation in the world's major currencies, the strength of the dollar (which competes with precious metals for investment money), interest rates and political tensions are among the factors.

A very strong dollar combined with low inflation and high real interest rates in the U.S. could send precious metal prices reeling. Of course, that could change unexpectedly. Some metals analysts, bucking conventional wisdom, recommend making precious-

metals purchases now, before prices begin to bounce back.

Variety of Sizes, Shapes

How much of your portfolio should be put into precious metals? There is no set answer since every investor's circumstances are different. Some experts say 10 to 15 percent, with your commitment spread among investments of varying risk. Diversifying also can help to cushion possible losses. Here are a few of the more popular opportunities.

Metals come in a variety of popular shapes and sizes, ranging from 1/4-ounce gold coins to 1,000-ounce silver bars. Gold, the most popular precious-metals investment, can be bought in several forms. Most widely known are coins—such as the South African Kruggerand, the Mexican 50 Peso, the Canadian Maple Leaf and the Austrian Corona. There are also medallions, half-ounce and one-ounce bars, and for those with abundant resources or their own countries, brick-sized bars worth a small fortune, like those in Fort Knox.

Silver and platinum also have various industrial uses, and the size reflects this. For example, silver can be bought in 10-ounce wafers or in bars of up to 1,000 ounces, as well as in coin form. Platinum is generally sold in bars.

Regardless of the size or shape of their precious metals, most investors prefer to keep them in storage. Those who buy large quantities of bullion can count on paying storage fees, sales taxes if actual delivery is taken, and when they decide to sell their holdings, assaying costs to verify the metal's purity and authenticity.

Ownership Certificates

A popular choice for many is precious-metals certificates, available through banks and brokerage houses. These certificates make it much easier for an individual to own bullion. Under a typical arrangement, the investor receives a non-negotiable certificate of bullion ownership specifying the exact purchase in ounces. The actual bullion is registered in the dealer's name and

stored in bank vaults.

Most plans allow investors to sell all or part of their holdings at any time. Some transactions can be completed with a phone call. Owners of bullion certificates do not pay state or local sales taxes on their investment and avoid assaying charges when they decide to sell.

Initial minimum purchases can run as high as \$1,000 at some banks and dealers or as low as \$100 at some brokerage houses. Minimum additional investments may fall in the \$50 to \$100 range.

Owning Mining Stocks

By owning precious metals mining stocks, it is possible to reap the benefits of rising prices without actually holding bullion. Most of these companies offer healthy dividends and, when the price of the metal rises, tend to pass profits on to shareholders. A few mutual funds, most composed solely of gold mining stocks, are also worth a look.

There are also futures contracts on precious metals. A futures contract is an agreement to purchase or sell a fixed amount of a metal at a specific price at a given future date.

Because a futures contract is bought on margin, a change in the value may result in profits or losses that could generate a margin call. In the latter case, the investor must put up the additional funds to compensate for the reduced value.

Ask for Advice

Whether you're thinking of having your own gold coins stashed away in a private vault, considering a certificate of ownership or investigating futures, talk first with your stockbroker or financial advisor. Even the most confident investor should seek professional advice on precious metals. □

This column is prepared as an automotive exclusive for *Automotive Executive* by Bill Waters, Director of Marketing Services with Merrill Lynch, Pierce, Fenner & Smith. Comments and inquiries should be sent to: **Money Sense, Automotive Executive**, 8400 Westpark Drive, McLean, VA 22102-3593.

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Optional Equipment—Again

I have received many calls from insurers doing business in a northeastern state that uses the NADA Used Car Guide and another guidebook to determine the value of a total loss. Of course, there are some differences in published values, as we use different sampling techniques and publish more frequently than the other guide. The main point of departure, however, is in the treatment of optional equipment, particularly in older cars. The insurance commissioner has ruled that optional equipment be included in the settlement, and that the book showing the option should prevail! I have no idea who made that decision or how it was reached. No one from the state's insurance office contacted us to determine why we do not list as many options on older cars as we do on late-model cars, or why we delete all options on some cars when they pass five years.

Optional equipment is big business, and it is surprising how easy it is to sell. Domestic manufacturers offer a "custom car" service which I do not see duplicated by any of the importers. You can build a new car or truck to just about any specifications you want, no matter how ridiculous. I think the domestic policy is an excellent deal for consumers, who can have their cars any way they want them, loaded or base. You get what you pay for and, of course, you pay for what you get. However, just as there is no free lunch, there is no guarantee of a return on your investment on any given option, and the buyer should know that going in. There is some residual value, especially on items like air conditioning and power-assisted controls, but it is not unknown for some options to become a "deduct," such as GM diesel cars through 1981.

A guide-book publisher is faced with three problems in optional equipment. First, when is a piece of optional equipment really a standard item that is considered an option only because it is not

included in the base price? Automatic transmission and air conditioning are done this way. The NADA policy is to check the installation rate by the manufacturer. When a piece of optional equipment enjoys a factory installation rate clearly exceeding 50 percent, we regard the item as standard and include it in the value of the used car. We show a deduct value if the car is not so equipped.

The next step is to determine which items should be displayed in the guide—it is all but impossible to list the many options available. We do this by examining the factory installation rate and by interviewing dealers.

"The main point of departure [between the NADA Used Car Guide and other guidebooks] is in the treatment of optional equipment, particularly in older cars."

The third, and most difficult problem, is to determine the value of the optional equipment. Major pieces of equipment are noted on most sales reports we process, but others are simply overlooked. Our policy is to meet with dealers, both in groups and at their places of business, and ask them what they find the added value to be for types of optional equipment. They often tell us options make a car easier to sell, and that the added value is hard to determine.

There are certain options which naturally go with specific cars. Top-of-the-line car buyers usually add premium radio sound systems and various appearance options. With Cadillacs, most of the mechanical devices are standard, so the NADA list of available options deals mainly with the car's ap-

pearance. I feel that certain options should be distinct models. To add \$1,450 to the Eldorado for the Biarritz option is a real shot, so why not give that option a distinct model number? The same holds true for Lincoln and the Designer series. The most obvious oversight in this regard is with Camaro. The Z28 carries the same model number as the coupe, but guide books list the Z28 as a separate model.

The NADA Guide will discontinue options when it is no longer possible to determine a market value. We do not say there is no value, but that we simply cannot determine it. There is, however, a distinction between market value and value to an owner, insofar as a total loss is concerned. A music buff may place a much higher value on a premium sound system than someone like me, who is often tuned to a news station. Some people place a premium on tape decks; others couldn't care less. A young man will lay out hundreds of dollars for a raised-letter set of tires; few adults would consider it.

We at the NADA Guide plan to make a study of items of optional equipment on older cars, and may make some changes. I am not sure Biarritz and Elegante options are worth anything on a 1977 model Cadillac, but I note they are worth \$400 on a 1978 model. This is why I feel these "options" should actually be models in their own right. □

This column is prepared exclusively for **Automotive Executive** by James "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments or questions pertaining to this column should be mailed to: **Used Cars, Automotive Executive**, 8400 Westpark Drive, McLean, Virginia 22102-3953.

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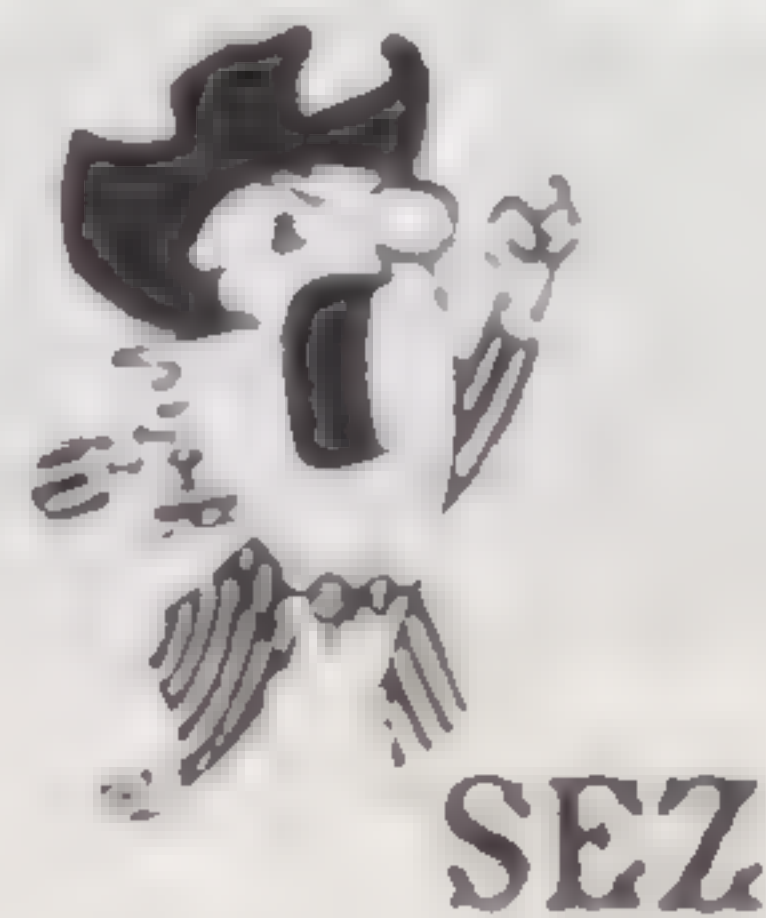
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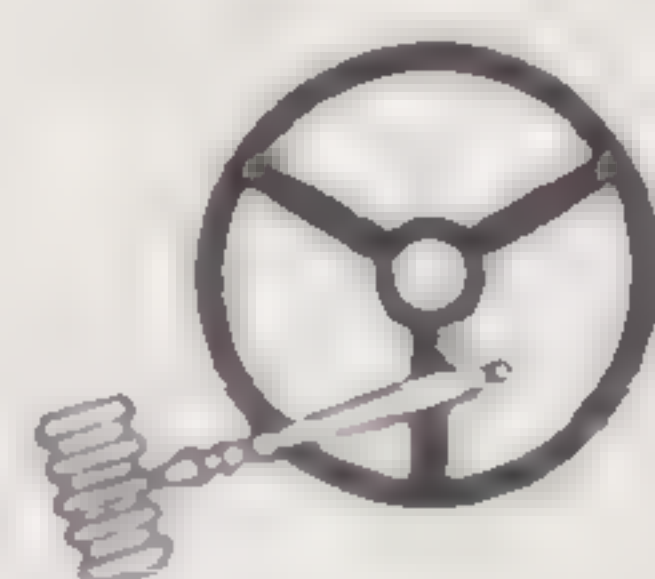
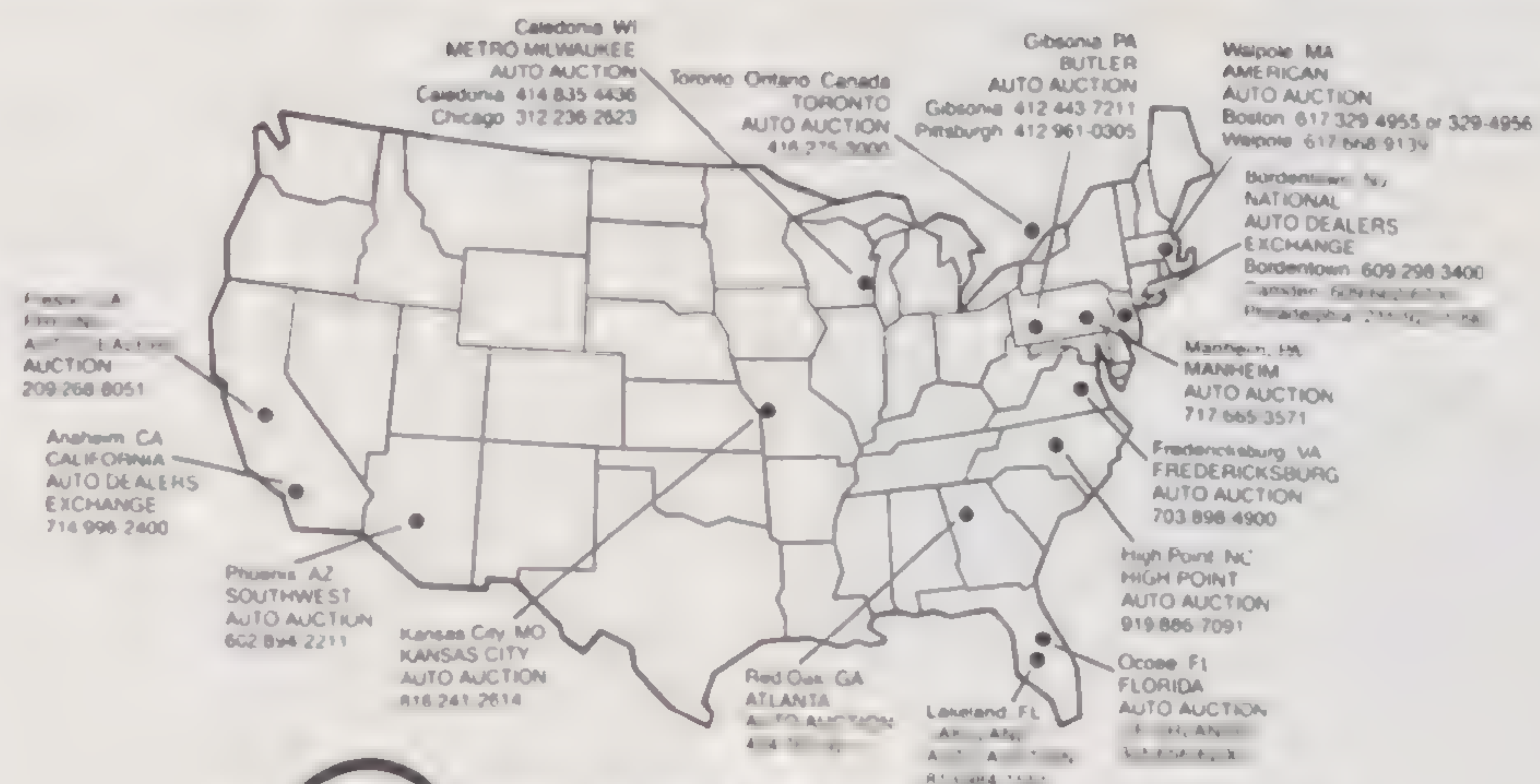
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Showcase: What's New On The Market

Designer Coach is introducing its new 24 Karat limited edition **van conversion**. Only 100 of these conversions will be produced in 1984. According to the manufacturer, the vans offer meticulous construction, innovative design, unsurpassed quality and standard features usually only available as options, including a mobile telephone, 440-watt stereo system, color television, VCR, radar detector and anti-theft system. Manufacturer: Designer Coach, A & S Corp., Elkhart, IN. ■

(For more information circle #81)



Panelbloc Corp.'s **infrared heaters** are radiant-designed, and unlike forced-air heaters that warm the air, Panelbloc units heat the floor and equipment. Heat is absorbed and retained so that when doors and windows are opened, comfort is not lost. According to the manufacturer, infrared heating is the most efficient way to heat a large, indoor area, and reduces heating bills. Manufacturer: Panelbloc Corp., Cleveland, OH. ■

(For more information circle #82)



Temple Products is introducing a line of decorative, aerodynamically styled **wire wheel covers**. Available in three popular sizes (13", 14", 15") and with 36 or 64 spokes, the covers feature a new high-gloss, triple-plated chrome finish. The covers are engineered to allow easy removal of hub caps and wire baskets for cleaning. Manufacturer: Temple Products Inc., Elkhart, IN. ■

(For more information circle #83)

Cars & Concepts Inc. is introducing two new **conversion packages** for the 1984 Chrysler T-115 vehicle. The company says the conversions offer more useful space than a limousine or full-size station wagon without the awkward size of a van, with interior designs that emphasize versatility, comfort and convenience and include custom-designed seating, luxury trim and high-quality appointments. The exteriors feature attractive graphics. The conversion packages are designed for two distinct markets, with the Concept I targeted to families and the Concept II targeted to the "luxury" market. Manufacturer: Cars & Concepts, Brighton, MI. ■

(For more information circle #84)

Ammco Tools is adding a 6-foot **slip plate set** to its alignment product line. According to the manufacturer, the slip plates cover all applications and allow work on any vehicle with a wheelbase from 73" to 149". Manufacturer: Ammco Tools Inc., North Chicago, IL. ■

(For more information circle #85)

Sun Electric Corp. is producing an automotive **electronic distributor tester** that tests and diagnoses problems in both breakerpoint and electronic distributors. The unit incorporates five new features: LED display to ensure cam lobe accuracy; an opt-electronic sensor for measurement of cam lobe accuracy; a direct-drive variable-speed motor; a 12-volt 5-amp D.C. power supply; and meter display of distributor advance and retard. Manufacturer: Sun Electric Corp., Crystal Lake, IL. ■

(For more information circle #86)



According to Draf Industries, its new fully automatic **air conditioner service center** utilizes sophisticated technology never before offered in a piece of equipment designed for use in field service applications. The unit is designed to automatically evacuate, leak/moisture test, add oil and recharge any car or truck air conditioner at the push of a single button, completely removing the operator from the service procedure. Manufacturer: Draf Industries Inc., Bedford Hills, NY. ■

(For more information circle #87)

Information and photographs of products listed in "Showcase" have been provided via manufacturers' press releases. A product's appearance in this column in no way implies endorsement by either NADA, the NADA Services Corp., or Automotive Executive.

Special Showcase : Rustproofing & Protectants

ECP Inc. says its new AutoArmor **Fabric Protection**, unlike other fabric-protection products, resists both water- and oil-based stains, through the use of a fluorinated polymer coating. In addition to stain protection, the non-flammable, colorless, odorless upholstery and carpet protector makes treated fabric 50 percent more abrasion-resistant for greater wearability. Manufacturer: ECP Inc., Oak Brook, IL.

(For more information circle #88)



Thermo-Guard Inc. is introducing its new **truck bed liner** with a limited lifetime warranty. The product, packaged in five-gallon pails, is a liquid rubber, which can be sprayed on in approximately 20 to 30 minutes. The liquid rubber hardens into a hard rubber protectant for the truck bed. It is warranted for the life of the vehicle against cracking, chipping, peeling and loss of adhesion. Manufacturer: Thermo-Guard Inc., Fort Lauderdale, FL.

(For more information circle #89)

Ziebart Rustproofing Co. has launched a professional **auto reconditioning program**. The program will include 17 different operations using eight separate Ziebart products to restore exterior and interior surfaces and engine and trunk compartments to "like-new" condition. The full-package service will include a thorough cleaning of the car's exterior, interior and trunk and complete degreasing of the engine compartments. Manufacturer: Ziebart Rustproofing Co., Troy, MI.

(For more information circle #90)



New **Vinyl Shield** from The Protector Corp. has a three-year warranty that guarantees the product will inhibit deterioration and prevent fading, discoloration and mildew for vinyl, plastic and rubber by resisting the ultraviolet rays of the sun. Manufacturer: The Protector Corp., Elmhurst, IL.

(For more information circle #91)



Bilstein Corp. of America is introducing a new **paint sealant** and an **anti-rust compound** to its R-2000 line of car care products. According to the manufacturer, the paint sealant provides a strong, hard shell gloss finish over automotive paint and its new corrosion-resistant formula provides maximum protection against deterioration due to strong detergents, oxidation and weather. The anti-rust compound is a clear, odorless substance that is sprayed on and penetrates into the areas to be protected. Its application requires no protective breathing masks, special clothing or taping of painted surfaces. Manufacturer: Bilstein Corp. of America, San Diego, CA.

(For more information circle #92)

Total Systems Technology (TST) has developed a method for **removing spots** from vehicle surfaces caused by acid and alkaline rain, insects, solvents and water that does not require the use of compounds, sanding or repainting. With the TST products, spots are lifted from the paint by simple buffing. Manufacturer: TST, Pittsburgh, PA.

(For more information circle #93)



Amalie is introducing Aqua-Sonic Shield 2, a new **rustproofing compound** that contains additional solvent. The product is available in new cartons of 12 one-quart containers to avoid disposal of left-over compound. According to the manufacturer, the petroleum-based compound contains no asbestos or inorganic fillers and has been reformulated to simplify application with a gun that attaches directly to the one-quart cans. Manufacturer: Amalie Refining Co., Dallas, TX.

(For more information circle #94)



May's Special Showcase features body shop equipment. Please send release and a black and white glossy photograph of your product for consideration to: **Joan Rubin, showcase editor, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593. Materials must be received by March 26.**

The Service Department

Your Business and the Law

We rarely think about the effect of the law on the way we do business until there is a need—usually when a customer takes us to task. The time to evaluate your service business from a legal standpoint is *before* anything happens. Following all the codes will not only protect you in arbitration and in court, but probably will keep you from getting there in the first place. A session in court, even if you win, is costly in both dollars and time.

The law is complex and covers many areas from many angles. Federal, state and local regulations sometimes contradict or overlap. State laws themselves vary, and towns impose individual codes based on their legislative experience.

The law is written in such a complex manner that many in the legal profession do not understand aspects of it. Where does this leave the rest of us? Take the time to learn about applicable laws. I asked our company attorney to give me a brief synopsis of the new "lemon law" in our state. We reviewed it in lay terms, and are now able to successfully work within its parameters. I have done this with all the major areas of the law that cover vehicle repairs in my area, and have found the expense to be justified many times over.

If you feel that your policies are in order, make sure all your employees are aware of them and conduct themselves accordingly. Changes in laws governing business occur occasionally, and it is up to management to keep the appropriate employees up-to-date.

Federal laws pertain to all of us, and usually cover well-publicized areas such as emission statutes, the Magnuson-Moss Warranty Act, and certain interstate laws dealing with taxes.

State laws, however, are usually given more thought because we are aware of them. Some states give certain rights to customers regarding repair warranties.

These laws are important because in some cases they exceed manufacturers' warranties. Consumers' rights may have to be posted and in some cases oral notification must be given to consumers at the time of repair order write-up.

"The time to evaluate your service business from a legal standpoint is *before* anything happens."

The repair order is a legal contract. Your company offers to repair a car as per the contract and the customer agrees by signing it. By regarding the repair order as a contract it should be obvious that proper completion is critical. Any error can cause a problem. Incorrect data or mileage information can affect your repair warranty. Incorrect estimates and complaint descriptions cause most of the legal problems related to ROs. The statement the customer signs in agreement to the repair conditions often is printed by an out-of-state company. Have your attorney check the statement on your repair orders, because it is possible that the general statement form you order from an out-of-state supplier may not conform to your state or local codes.

The way a service advisor notes the customer's complaints can be important should a legal question arise. In states where the "lemon law" is observed it is even more critical. If a customer had a car in for an oil leak repair several times and comes in again complaining of the same thing, the diagnosis should be verified in writing. Perhaps it was not an oil leak in the first place! If the repair order reflects a shop

comeback without verification of diagnosis, then it is possible that your writers are building a good legal case against your own department.

Are your service-department employees aware of certain laws pertaining to cars left overnight for service without the customer's signature? Estimate approvals via the telephone and approval for repairs by someone other than the owner of the vehicle are potential problem areas.

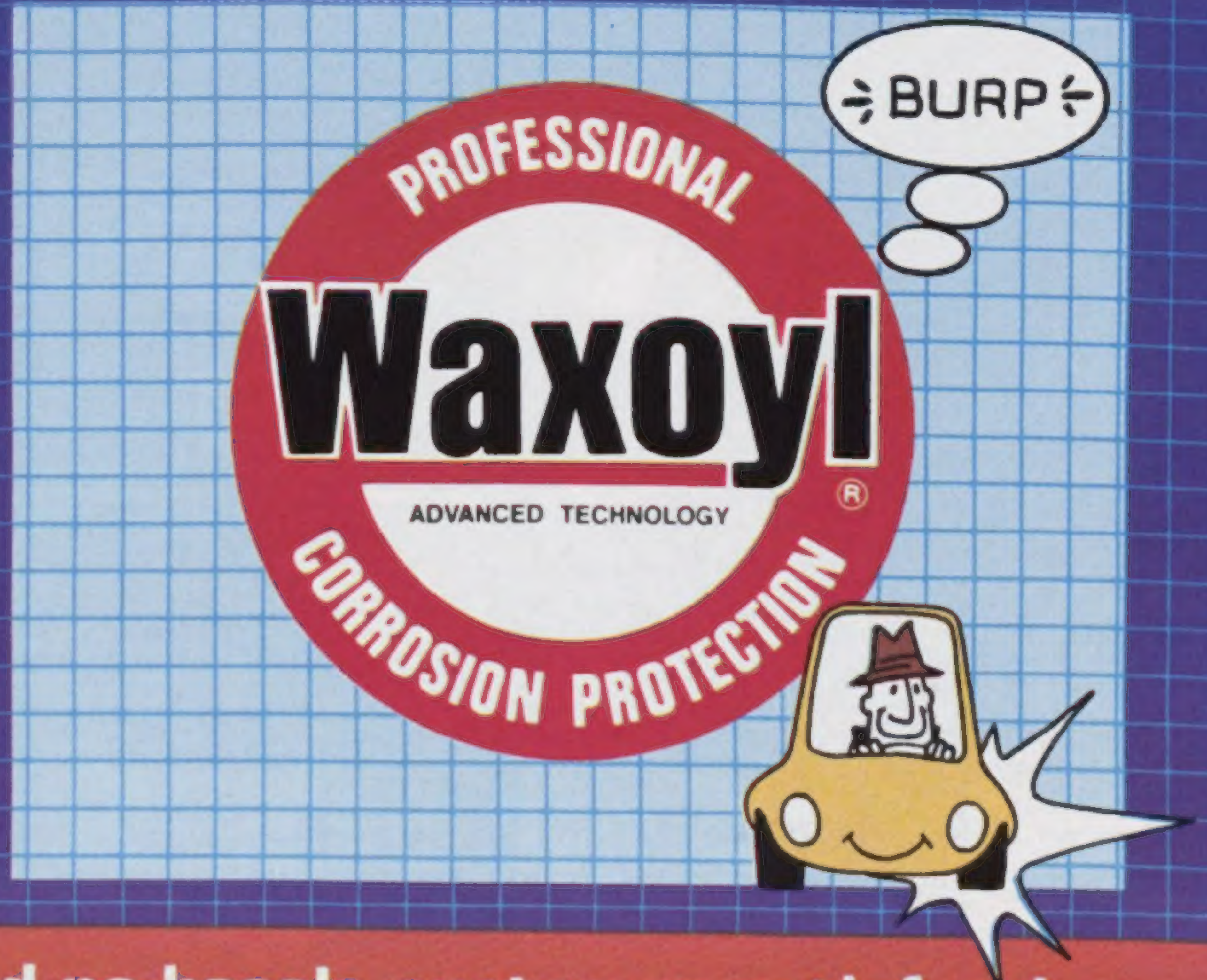
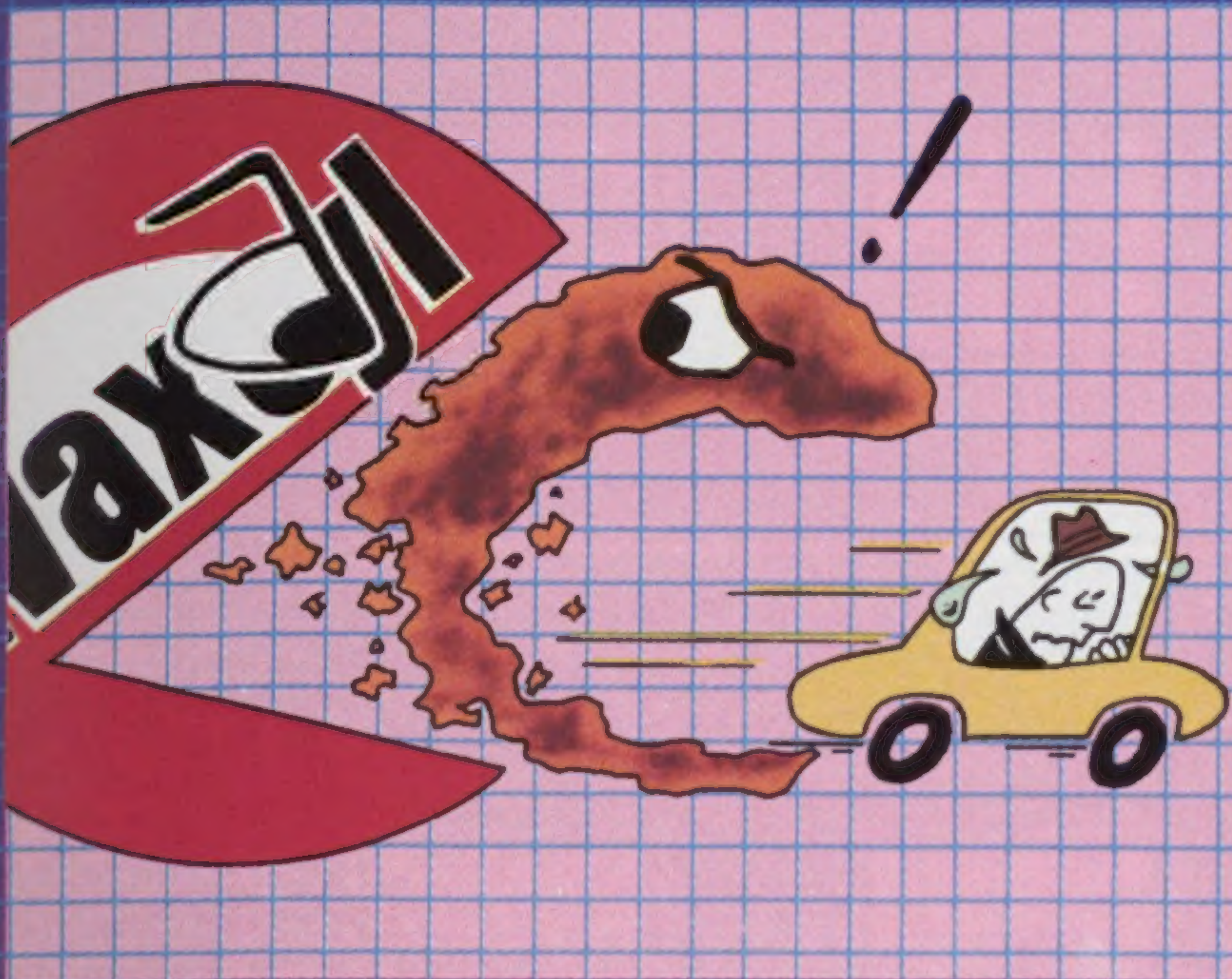
An employee's rights under the law vary from state to state. It is important that management be aware of the law when it comes to terminations, discrimination, pay and obligation for damage to vehicles and property.

Just as many other jobs have changed in the past few years due to social changes, so has the description of the service manager's slot. Increased consumer awareness, tougher laws and changing labor laws all have made it imperative that the service manager have legal knowledge.

Scrutinize your dealership for legal gaps. It is important that you instruct all employees on the law and provide updates as they occur. Lock the barn door before the horse gets out. ☐

This column is prepared for **Automotive Executive** by Ron Joffe, Service Director, Straub Motors Inc. All question or comments pertaining to this column should be mailed to: **The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.**

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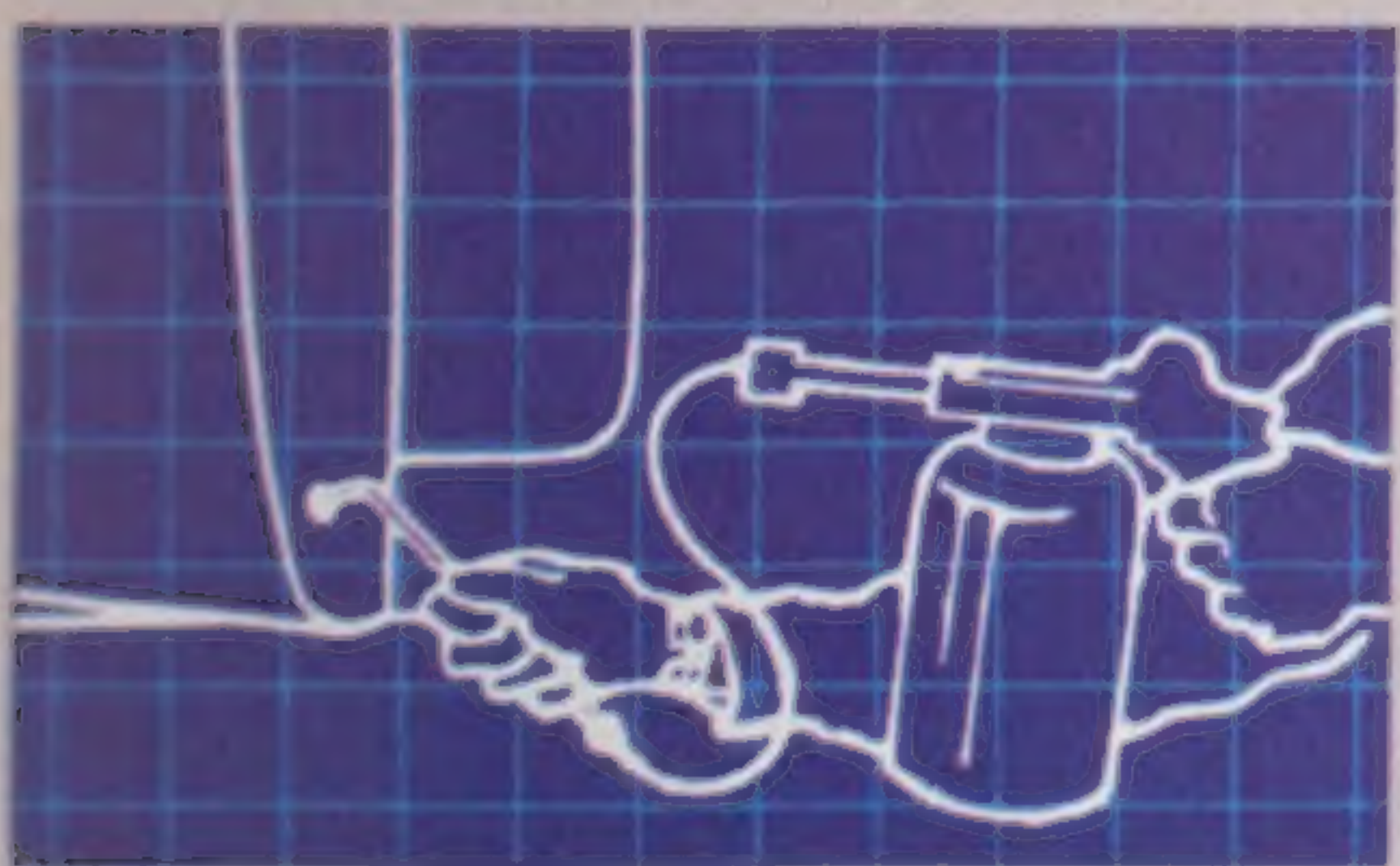
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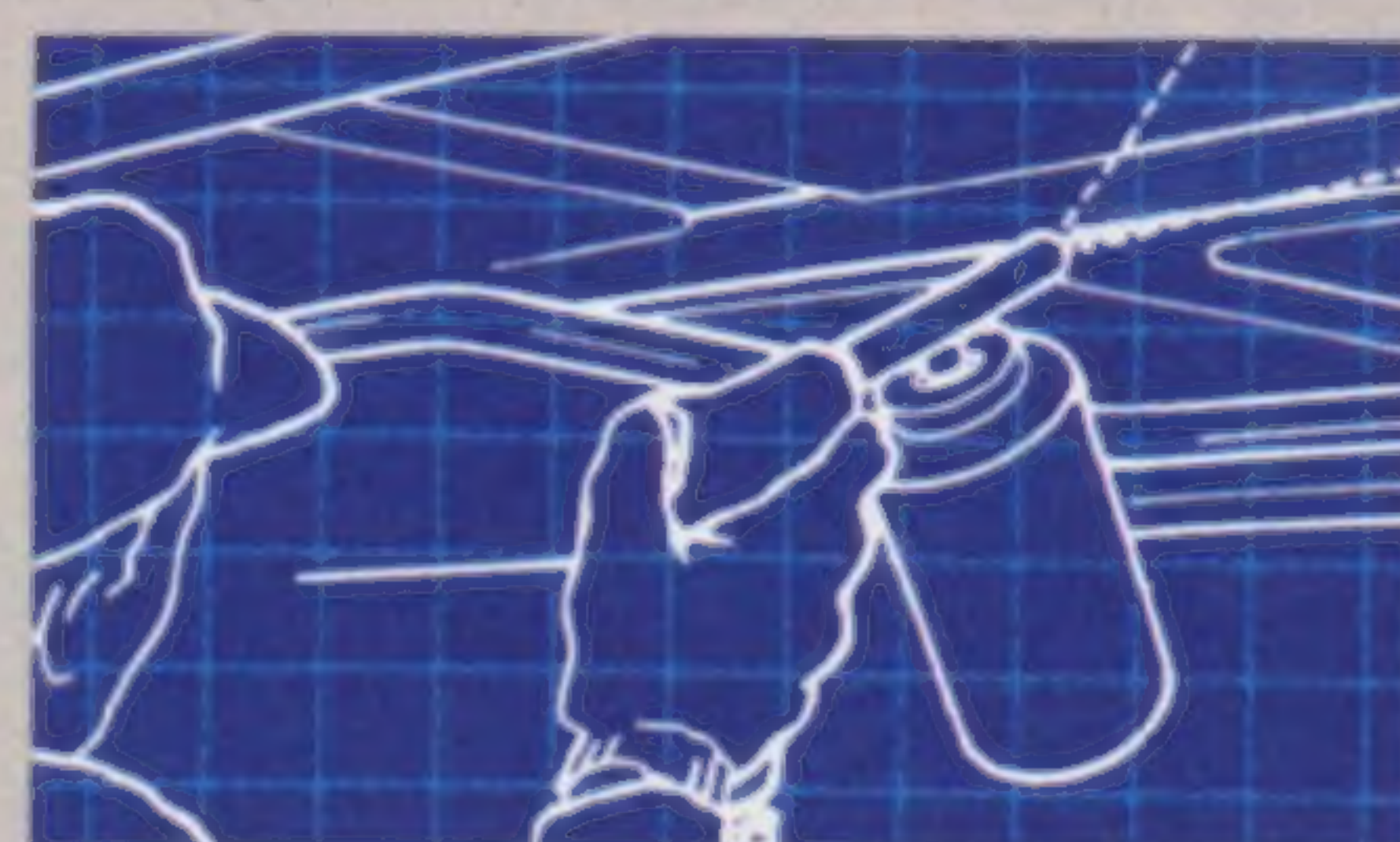
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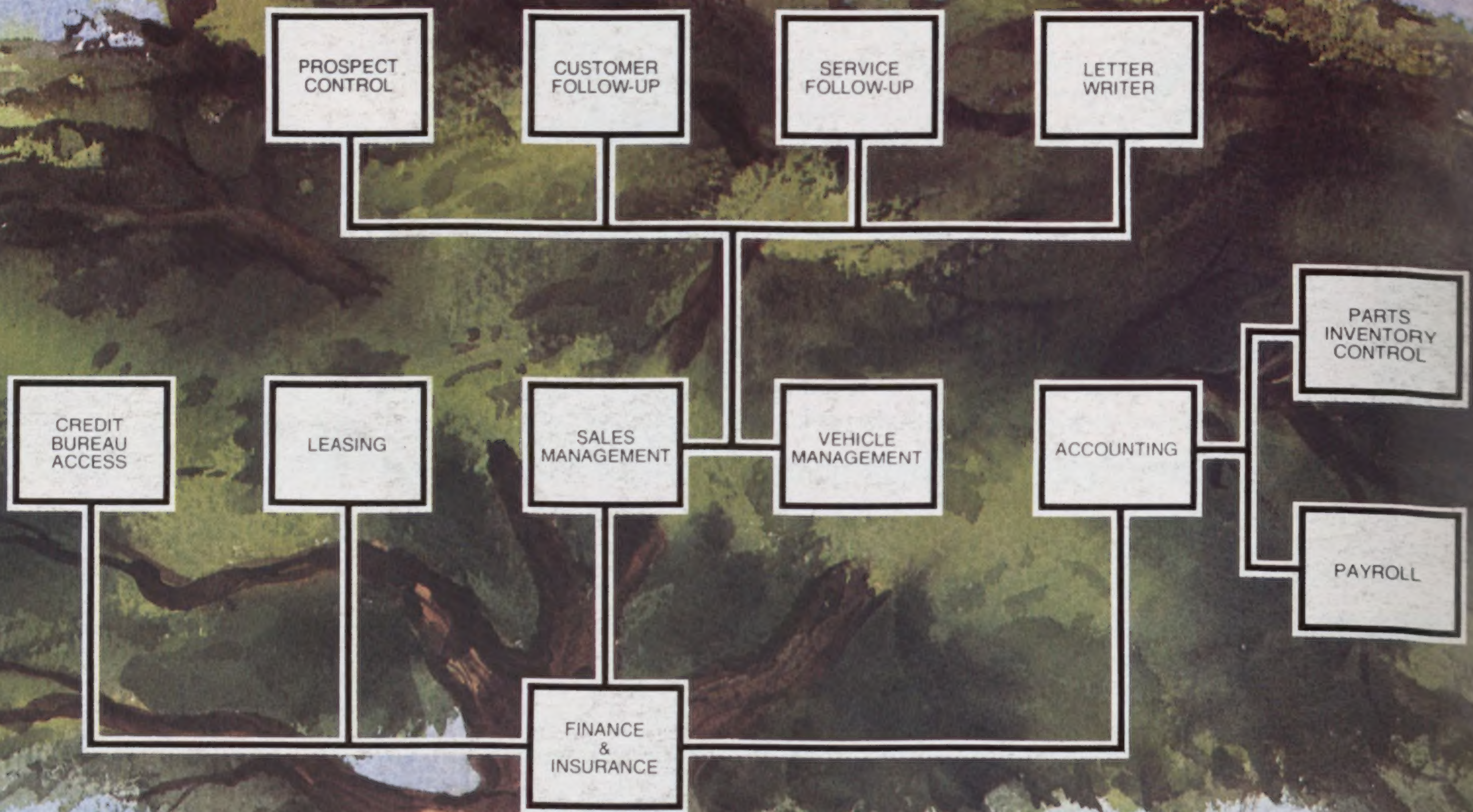
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(For more information circle #16)